EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

GERMANY
Kohl presides over the unification dream
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Monday October 1 1990
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World News

US, Vietnam resume top level talks after 17 years

The US and Vietnam held their highest-level meeting since 1973, in what a US State Department official described as "a step in the direction" of further normalisation of relations. Page 2

F-15 fighter crashes

Two US Air Force pilots were killed yesterday when their F-15 fighter crashed on a *low-level exercise in southern* Saudi Arabia. They were the first Air Force personnel reported killed in Saudi Arabia since Operation Desert Shield began two months ago. Gulf crisis, Page 3

Nuclear blast threat

An explosion at a nuclear fuel processing plant in the Soviet republic of Kazakhstan last month may have contaminated *120,000 people, a local environ*mental official said. Page 2

Pledge on children

A world Summit for Children at the United Nations in New York adopted a 10-point programme aimed at protecting the rights and improving the lives of the under 16-year-olds. Page 2

Croatia violence

Yugoslavia's *peaceful road to* democracy received another setback in the weekend following more ethnic violence in the western republic of Croatia. Page 2

Hungarian shake-up

Results of yesterday's local elections in Hungary are set to shake up the country's politics only six months after the end of four decades of communist party rule. Page 2

Johnson vows war

Liberia's nine-month civil war worsened when breakaway rebel leader Prince Johnson declared all-out war on main rebel leader Charles Taylor. He also vowed to attack any remaining troops of the late President Samuel Doe's army.

Peru attacks rebels

About 1,000 Peruvian soldiers and police launched an offensive against Maoist Shining Path guerrillas following clashes last week that killed more than 100 rebels.

Whites found dead

Johannesburg police found the mutilated bodies of four white South Africans, the first whites reported killed in a black township since a wave of violence erupted two months ago. Page 6.

Singh faces revolt

The first open revolt against the leadership of Mr V.P. Singh, India's prime minister, from within the ruling Janata Dal party emerged when MPs signed a memorandum demanding his resignation. Page 6

Curb on imports

Romania announced tighter customs rules to stem an outflow of goods and discourage imports of used cars. From today no Romanian or foreign tourist can take anything except small gifts out of the country.

Ms Bhutto in dock

Pakistan's ousted Prime Minister, Ms Benazir Bhutto, appearing in court for the first time, denied charges of abusing political power while in office. Page 6

Greek strike over

Greece's three largest labour unions called off three weeks of crippling strikes after failing *to stop parliament* from compromising on tough new austerity measures.

Patrick White dies

Australian novelist Patrick White, who won the Nobel Prize for Literature in 1973, died in Sydney, aged 78.

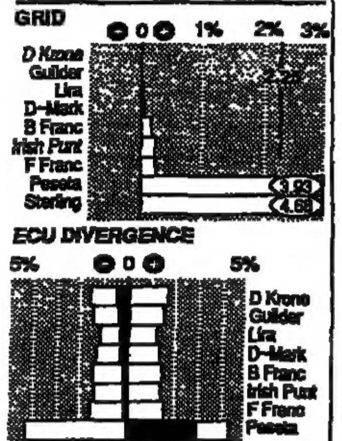
Business Summary

Gorbachev set to allow full foreign ownership

President Mikhail Gorbachev is set to announce an overhaul of foreign investment law in the Soviet Union, allowing full foreign ownership and management control of ventures. Page 20 and Page 2

EUROPEAN Monetary System: The Spanish peseta's strength forced the Bank of Spain to intervene in the markets last week. But it remained at the top of the EMS grid, bolstered by high interest rates. The French franc became the second hardest currency, also lifted by high money market rates. The Italian lira was soft as an injection of liquidity depressed short-term rates. *The Bank of Italy moved to* defend the lira and towards the end of the week it had started to recover.

EMS September 28, 1990



The chart shows the constraints on EMS exchange rates. The upper grid, based on the system's weakest currency, defines the cross-rates from which only the peseta may move by more than 2¼ per cent. The lower chart gives each currency's divergence from the "central rate" against the European Currency Unit (Ecu), itself derived from a basket of currencies.

WORLD OIL production and refining is operating with almost no spare capacity, according to the International Energy Agency. Page 20

AIRBUS INDUSTRIE, European aircraft consortium, has secured a $1.8bn order for 26 *aircraft from Swissair*, Switzerland's national airline. The contract was won in competition with McDonell Douglas of the US.

WALL STREET showed a 58 per cent drop in third quarter underwriting fees from domestic new issues because of the Gulf crisis and domestic recessionary fears. Page 20

CWB Capital Partners, joint venture between Standard Chartered of the UK and Westdeutsche Landesbank, West Germany's biggest public sector bank, is to pay $158m for Swedish-based Arjo Group, supplier of equipment for hospital patients. Page 21

BANK of Spain is preparing measures to help financial institutions, particularly Banco Espanol de Credito, one of the country's biggest commercial banks, to overcome provision obligations after sharp falls in market values. Page 21

ELECTRICITY: The UK government may be advised to delay a decision on what percentage of the state-owned electricity companies to float *on the stock market*. Page 8

THE NIKKEI, Japan's stock market, could fall below the 20,000 mark this week because of pressure *on interest rates* and tension in the Gulf, say some brokers. Page 6

ASSURANCES Générales de France, state-owned insurer, is to take stakes in three government controlled industrial companies. Page 23

California adopts tough measures to combat smog

By **Louise Kehoe** in San Francisco and **John Griffiths** in London

THE STATE of California has adopted severe restrictions on vehicle *emissions which will* require progressively more widespread use of electric cars and alternative fuels over the next decade.

The rules are aimed mainly at combating severe smog problems in the state's major cities, but would also reduce petrol consumption.

California's decision, which will require vehicle makers to spend heavily on developing new cars and propulsion systems, is expected to encourage a tougher stance by other states towards the exhaust emissions issue.

Last week, the state of New York adopted California's present emissions standards. Six other eastern states are considering similar moves.

The country's leading vehicle makers have been expecting the decision for some time. Ford and GM are protesting at the expense – claimed to be billions of dollars – that the industry now faces.

They warn that the timetable envisaged may not be achievable on technology grounds.

Nevertheless, GM has already developed an electric car, the Impact, which it says will be put into production within two years.

Mr Harold Poling, chairman of Ford US, acknowledges that: "We are part of the (environmental) problem, and we will continue to work with government *to do our fair share* in correcting it."

California has led the trend towards stricter air pollution controls, and its present vehicle emissions legislation is already far more stringent than federal regulations.

The new California regulations, which become law without further legislative review, will phase in a 70 per cent reduction of car emissions over the next 13 years.

The plan includes the requirement that 2 per cent of all new cars sold in California by 1998 emit no smog-producing gases.

These will have to be electrically powered. By 2003, 10 per cent of the state's estimated *2m cars sold annually will be* electric.

In addition, the plan calls for the introduction of cars that can run on methanol – "reformulated" or cleaner-burning petrol.

"We recognise that this is a very dramatic requirement we're imposing on automakers," said Ms Jananne Sharpless, chairwoman of the California Air Resources Board, which approved the pollution control measures on Friday.

"It is going to take a lot of work, but we think it is feasible."

As representatives of the state that is the largest buyer of cars in the US, Californian regulators are in a unique position *to demand progress on* emission controls from both US and foreign automobile manufacturers.

Their willingness to take a stand against "immense pressures" exerted by industry lobbyists contrasts with that of the US Congress, which last week shelved a clean air bill containing measures far less drastic than those adopted in California.

The Californian legislation involves putting a "ceiling" on the average emissions from each manufacturer's product range.

It also, in effect, creates three classes of "low emission" vehicles, plus a "zero emission" category.

It is intended that over the next 13 years, vehicle makers will be able to meet their reducing emissions ceiling by the gradual introduction of new cars incorporating the needed new technologies.

● EC regulations requiring virtually all newly manufactured cars to be capable of running on unleaded petrol become effective in most EC countries, including the UK, today.

The *regulations*, agreed nearly two years ago, have been widely pre-empted in the marketplace, with almost all vehicle makers having already adapted their vehicles to run on unleaded fuel.

Allies urge Bush to allow more time for Iraq sanctions to work

By **Peter Riddell** in New York and **Tony Walker** in Cairo

PRESIDENT George Bush is being advised both by close allies and by Congressional leaders to give economic sanctions against Iraq time to work and not to rush into military action.

The calls have come in spite of signs of impatience in the administration about the deteriorating situation in the Middle East.

Foreign ministers visiting New York for the United Nations General Assembly have become increasingly concerned over the last 10 days that the Gulf crisis is moving inexorably towards war later this year.

In Baghdad, President Saddam Hussein last night sounded a slightly more conciliatory note in calling for an early dialogue on *the Gulf* crisis. He indicated that he saw some promise in a four-point peace plan suggested last week by *President François* Mitterrand of France.

Mr Saddam's message came in a statement read on Iraqi radio and television to mark the birthday of the Prophet Mohammed.

However, the Iraqi leader gave no indication he was considering an unconditional withdrawal from Kuwait, as demanded in repeated UN security council resolutions, and he again sought to link a settlement of the crisis with other regional disputes.

Mr Saddam's latest statement, in contrast to most of the others since the crisis began with Iraq's seizure of Kuwait on August 2, was relatively mild.

However, he repeated calls for a *jihad*, or holy war, against foreign forces in the region and declared that Kuwait would always be Iraqi territory.

His vague talk of a possible *negotiated settlement follows* a visit at the weekend to Jordan by Mr Tariq Aziz, the Iraqi foreign minister, for a meeting with King Hussein who is promoting an "Arab solution" to the Gulf crisis.

Speculation about US military action has increased in the last few days since Mr Brent Scowcroft, the president's national security adviser, said "the systematic destruction" of Kuwait might shorten the time which the US can wait for economic sanctions to secure their aim of Iraqi withdrawal.

Mr Scowcroft said "there is no question that what is happening inside Kuwait affects the timetable" for a decision on whether or not sanctions have failed. He said the US might seek another security council resolution, possibly including the explicit mention of the use of military force.

Ahead of a meeting last night in New York between Mrs Margaret Thatcher and Mr Bush, a British official said sanctions should be given time *to bite*.

Similarly, Mr Tom Foley, the Democratic Speaker of the House of Representatives, said it was "way too early" to judge whether the embargo had succeeded.

Senator Robert Dole, the Republican minority leader, also hoped sanctions would be given more time.

Interviewed yesterday on American television, Mr *Eduard Shevardnadze, the* Soviet foreign minister, repeatedly said that military action would be a last resort and subject to security council decisions.

However, he indicated that if the security council – on which both Soviet Union and China had a veto – decided in favour of military action in a resolution, Moscow would comply.

Mr Bush has not discussed military options in public, though Congressmen who have met him recently believe the White House has been seeking to prepare the ground for such action when there is interna*tional support and when US* forces are fully in place.

In particular, Mr Bush has pointed to a number of areas that might trigger war apart from an Iraqi invasion of Saudi Arabia. These include the destruction of Kuwait by Iraq and terrorism against Americans and others.

In his statement, Mr Saddam said: "If dialogue replaces threats and the policy of peace *replaces that of military build*ups, we will not dispute where the starting point should be."

Mr Saddam said that Iraq would not compromise on its call for the withdrawal of foreign forces from the Gulf and an end to the economic blockade imposed by the security council and since strengthened by the application of an air embargo.

Gulf crisis; Page 3; Editorial Comment, Page 18

World leaders pictured gathering in New York for the UN summit for children.

Polly Peck pins hopes on Turkish rescue package

By **David Barchard, Clay Harris** and **Richard Waters** in London and **Alan Friedman** in New York

POLLY PECK International was yesterday pinning its hopes of staving off a liquidity crisis on a rescue package which would be implicitly backed by the Turkish government.

Turkish officials, however, have warned Mr Asil Nadir, the Turkish Cypriot chairman of the UK-based fruit trading and consumer electronics group, that it will take them at least 10 days to reach a decision on his request for help.

To stay afloat in the meantime, Polly Peck will need to rely on remitting nearly £100m of cash from northern Cyprus, where it dominates the indus*trial and agricultural* economy.

Because banks in northern Cyprus lack the necessary foreign exchange reserves, mainland Turkish banks must be persuaded to make their reserves available.

The Ankara government is unlikely to provide any direct financial aid to Polly Peck, which relies on Turkey and northern Cyprus for more than half of its profits.

Mr Nadir instead will try to raise cash from Turkish private and public sector banks, but this requires approval by the Turkish Treasury. Observers in Istanbul believe he is unlikely to be able to raise more than $300m in this way and that such a facility would take some time to arrange.

Mr Nadir met President Turgut Ozal, Mr Güneş Taner, minister for economic affairs, *and other senior Turkish offi*cials in New York at the weekend.

Polly Peck is facing a liquidity crisis because a substantial portion – more than £100m – of its credit lines are uncommitted; banks are not bound to *provide funds to the company* on demand. Banks have been unwilling to renew the facilities because of Polly Peck's uncertain position in the face of official investigations of Mr Nadir and companies linked with his family interests and business associates.

Mr David Fawcus, Polly Peck's deputy chief executive, said yesterday: "It is quite clear that a protracted situation *such as this does give rise* to concerns and nervousness in a lot of different people – creditors, suppliers, customers, shareholders and banks. It is inevitable."

Of Polly Peck's operations, he said: "There is no doubt they will experience short-term difficulties. But it's not that they aren't sound businesses." The group was generating more cash than it was consuming, *he added. "The cash is* there – it is a question of getting it where you want it."

The Bank of England indicated yesterday it did not see a leading role for itself in trying to help Polly Peck find a way out of the impasse. Even though Polly Peck is a member of the FT-SE 100 index of leading UK companies, British

Continued on Page 20
Lex, Page 20; Greek Cypriots investigate Nadir, Page 22

US budget deal aims to reduce deficit by $500bn in five years

By **Peter Riddell**, US Editor, in New York

PRESIDENT George Bush last night reached a *last-minute* agreement with congressional negotiators to reduce the federal budget deficit by $500bn over the next five years.

Interrupting a series of meetings with other world leaders in New York, he rushed back to Washington to announce the deal. He promised to do his best to generate support from the American people for the compromise and said he would *do "everything in my power to* help congressional leaders to pass the package within the next three weeks."

Amid an exchange of compliments for their efforts in concluding five months of negotiations, the congressional leaders accepted that they would have *a tough job selling the package* to their supporters since both sides have had to give up cherished proposals.

The cuts will come from a combination of higher taxes on expenditure, a cut in Medicare health programmes and savings on the defence budget.

Over the five years roughly $130bn will come from higher taxes, $170bn from defence savings and $120bn from cuts in domestic programmes.

The tax proposals involve raising the federal petroleum tax from 9 to 19 cents a gallon, and higher excise taxes on alcoholic drinks, cigarettes and airline tickets, with a new 10 per cent tax on that part of the purchase price exceeding $30,000 for cars, $5,000 for jew*ellery, $1,000 for electronic* equipment and $500 for furs.

The breakthrough came over the weekend when the White House dropped its insistence on a cut in the capital gains tax rate and a proposal for a temporary freeze on the cost of living adjustment on social *security payments.*

Similarly, the Democrats have dropped their call for higher income tax rates on the better off.

Recognising the likely criticism from conservative Republicans, Congressman Bob Michel stressed that while both sides in the talks had to make *sacrifices, the top marginal* rate of income tax had not been changed and tighter spending disciplines had been imposed. Similarly, the administration stressed the "growth" incentives, including new tax reliefs to encourage scientific research and investment in small businesses.

The Federal Reserve, whose policy-making Open Market Committee meets tomorrow, is likely *to react* cautiously before considering any easing of monetary policy and is likely to wait and see whether the financial markets regard the package as credible. Any cut in interest rates is likely to be modest because of the Fed's worries about rising inflation.

The initial cut in the deficit in the 1991 fiscal year starting today is $41bn, less than the $50bn previously estimated. Such a cut will leave the deficit at around $210bn in 1991, compared with the target for the year of $64bn under the Gramm-Rudman law.

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THE MONDAY INTERVIEW

Mr Carlo De Benedetti, Italy's best known financier and still in control of Olivetti, one of the commanding heights of the economy, remains an acute observer of economic and political trends and the interplay between them
Page 42

FT SURVEYS THIS WEEK

INTERNATIONAL DESIGN:
Sir John Harvey-Jones today presents the 1990 FT/London Business School Design Management Award to JCB, the UK engineering company. The FT's International Design survey includes details.
See pages 26-30

■ TODAY:
International Design (see left): The industry is in a state of flux, with many consultancies paying the price for over-ambitious expansion during the 1980s.

■ FRIDAY:
Property in Scotland: signs of financial difficulties for many individual property developers.

Office Systems and Technology: the quest for *office productivity* – the latest equipment also needs the right infrastructure to help maximise efficiency.

An interview with the Soviet economist, Prof Stanislav Shatalin

Gorbachev's guru says reform will be 'cruel'

By Quentin Peel in Moscow

PROFESSOR Stanislav Shatalin, convener of the group which drafted the 500-day crash programme to convert the Soviet Union into a market economy, is convinced that his plan will be put into effect by President Mikhail Gorbachev in the very near future.

"This is the presidential plan, not the Shatalin plan," he told the Financial Times. "It is going to happen, you must believe me."

The key to the whole process, he says, will be the use of sweeping presidential powers to carry it out, leaving the precise shape of the government structure relatively unimportant.

"We are not talking simply about presidential powers, but about presidential-tsarist powers," he said. "If the reforms are not backed by very tough powers, they will just be papers. They may be beautiful, but you can just throw them away."

As for the future of Mr Nikolai Ryzhkov, the Soviet prime minister, and the current Council of Ministers, whose alternative plan for a centrally-managed transition to a market system is supposed to be blended with his own, he says: "Only God can tell."

He refuses to be drawn into open condemnation of the government. "We have agreed on a temporary peace," he said. "Shatalin will not spit on Ryzhkov"; but equally he makes it clear that apart from "a few sentences, a few figures" the government's alternative plan simply cannot be blended with the 500-day programme.

"These programmes have two different blood groups."

He also believes that what the country needs is a "presidential coalition government". Whether that could exist alongside an effectively neutered Council of Ministers – bereft of its executive economic authority – or instead of it, is unclear.

The 500-day plan, already adopted by the Russian parliament under Mr Boris Yeltsin, requires a draconian credit squeeze from the very start to bring the country's excess liquidity under control, and an immediate start to mass privatisation to break the powers of the central state apparatus. Mr Ryzhkov is simply not prepared to take such drastic action. Immediate presidential decrees are required – and already prepared – on drastic budget cuts, changing the property laws (which still exclude private property), launching privatisation, and imposing the credit squeeze, Prof Shatalin said.

They would be issued in a matter of days, not necessarily

> Social programmes, including new pensions, might have to be frozen

waiting for the conciliation process chaired by Mr Gorbachev to reach a conclusion by October 15.

The first presidential decree, albeit merely ordering all state enterprises to respect their contracts until the end of 1991, was issued last week.

Prof Shatalin, maverick economist and a member of Mr Gorbachev's presidential council, has immediate access to the Soviet leader, but still does not see entirely eye-to-eye with him on all aspects of the plan. He does not approve of Mr Gorbachev's idea to have a national referendum on the private ownership of land.

He makes it clear that the planned monetary stabilisation will be extremely brutal. "We need three to four months of a very cruel policy."

He said that some social programmes, including new pensions, already approved by the Supreme Soviet, might have to be frozen.

"We cannot blame anybody, but we know very well that all social programmes are inflationary," he said. Therefore all pension increases apart from those for invalids and the poorest of all should be delayed.

"We must be very decisive. There should be no emission [of money]." He sympathises with the unwillingness of the international banking community to commit more loans to the Soviet economy in its present state.

"Over the past five years, we have turned from being a country which always paid its bills carefully, to being one which cannot do that. Nobody wants to invest money at such a time. If I were a banker, I wouldn't lend any money either.

"I would say choose your programme first, a real programme, concentrating on improving efficiency, a real monetary policy, real privatisation, support it politically, close unprofitable enterprises, liquidate the budget deficit – then we will give you money. Charity is all very well, but we do not want to be beggars."

On the other hand, he has changed his views on the need to restructure imports, cutting back drastically on capital goods imports, and going for immediate supplies of consumer goods, "to give people a little hope".

"It's absurd to buy more foreign equipment when so much is lying about in our yards, uninstalled."

As for the ambitions of the 500 days, he is disarmingly frank. "Of course it is not enough. It is a symbol. It sounds good. But we must give people hope, and we must put ourselves into a corner, so that we work at full tension, and have no chance of turning off to either side."

Violence continues in Croatia amid crackdown on Serbs

By Judy Dempsey, East European Correspondent

YUGOSLAVIA'S peaceful road to the multi-party system received another setback at the weekend following more ethnic violence in the western republic of Croatia.

Tanjug, the Yugoslav news agency, reported that police arrested more than 90 people after Serbs broke into a police station in Dvor na Uni and seized weapons. Scores of people were injured after the Croatian authorities called in a special police unit to break up the second bloody confrontation in less than two months.

The violence in Croatia stems from calls by the Serbian minority, who make up 600,000 of the 4.5m-strong population, for its own (albeit vague) autonomy. This issue was never raised until Croatia become one of the first republics to hold free and democratic elections last April.

Although Mr Franjo Tudjman, the president, based his election campaign on a nationalist platform which tended to provoke the Serbian minority, he has since mellowed the rhetoric and is now concentrating on moving Croatia economically closer to its west European neighbours.

Despite this more pragmatic stance, the Serbian minority has continued to use violence to attain autonomy. It is supported by Mr Slobodan Milosevic, the president of Serbia.

> PRESIDENT Borisav Jovic of Yugoslavia said in a statement carried by Tanjug that he would cut short a trip to the US because the country's security was threatened by rebel republics defying the federal authorities, Reuter reports from Belgrade. He appeared to be referring chiefly to Slovenia, which defied the federal authorities on Friday by changing its constitution to take control of defence units on its soil.

The irony is that as the Serbian authorities support the calls by the Serbian minority in Croatia for autonomy, they have refused to acknowledge similar demands by the ethnic Albanians in the southern province of Kosovo.

The political, cultural and social rights of the ethnic Albanians, who make up more than 90 per cent of the 2m population, have been systematically eroded by the Serbians.

The late Marshal Josip Tito granted autonomy to the province in 1973 to contain the influence of Serbia. But last Friday, the last vestiges of that autonomy were wiped away after Serbia proclaimed a new constitution which now gives it almost total control over Kosovo.

US BUDGET

Deficit deal may be different from the rest

THE US fiscal numbers are still awful, but the details offer some hope that, for once, a bipartisan budget deal is more than a scrap of paper with impressive signatures.

First, the bad news. Looking exhausted from all-night bargaining, Mr Richard Darman, the budget director, admitted that without a deal the deficit was heading for $294bn (£156bn) in the 1991 fiscal year starting today and up to $306bn in fiscal 1992.

The 1991 figure compares with estimates of $100bn last January, $232bn in July and $250bn as recently as two weeks ago. The rise reflects the combination of a substantial downgrading of economic growth forecasts and the soaring costs of the savings and loan rescue, plus, now, the costs of shoring up the bank insurance fund.

Against such a mountain, a deficit cut of the proposed $40bn in fiscal 1991 looks puny, however hard it has been to agree. Indeed, given the deterioration in the deficit outlook, this cut exactly offsets the increase in the deficit estimate of the past two weeks.

The negotiators could not produce the expected $50bn in fiscal 1991 because of the absence of a cut in capital gains tax, which in its first year produces more revenue as a result of higher activity. The substitution of various "growth incentives" to encourage investment loses revenue.

The financial markets may have doubts about the credibility of a package which relies so

> **Peter Riddell** looks at the figures for the 'real cuts' in last night's agreement

heavily on deficit cuts in later years to produce a balanced budget by fiscal 1994.

Mr Darman yesterday claimed that the cuts were "all real". We may have heard all that before, but there is some basis for his assertion.

First, the initial $40bn relies mainly on higher indirect taxes which are likely to be collected, rather than on illusory spending cuts.

Second, the $500bn, five-year package rests on decisions being taken now, not assumed later actions. The changes in entitlements and taxes will be legislated this month.

Third, and potentially most important, new disciplines are being introduced. Spending, apart from social security, will be capped – that is to say, it will not be allowed to rise more than the rate of inflation.

Any proposals for additional expenditure will be funded on a pay-as-you-go basis with offsetting savings. Within the overall framework of revised Gramm-Rudman targets, with powers for sequestration or across-the-board cuts if projected spending threatens to exceed targets, there will be provision for mini-sequesters on major categories of spending.

There are several caveats. For instance, the cost of the Gulf military operation will be treated as outside the targets. Spending is estimated at $11.5bn in fiscal 1991 with half coming from foreign participation.

The enormous and fluctuating cost of the savings and loan rescue is, while within the deficit estimate, being placed outside the new budgetary disciplines, since the costs are hard to predict let alone to control.

Moreover, if new economic forecasts next March show a weaker economic outlook than now, which is by no means impossible, this will not mean offsetting fiscal action.

Overall, the package has some unproven virtues even if its immediate fiscal impact will be very limited. As Mr Darman said last night, now the hard part begins – selling the deal both to Congress and to the American people.

Hungarian poll gains for young radicals

By Nicholas Denton in Budapest

A LOW turnout has dulled the significance of yesterday's Hungarian local elections as a test of strength for Hungary's conservative government.

Nevertheless, a predicted surge in support for a radical opposition group, Fidesz, is likely to shake up the country's fluid politics again only six months after parliamentary election brought an end to four decades of Communist and Socialist rule. That vote saw the conservative Hungarian Democratic Forum and the liberal Alliance of Free Democrats emerge as the two main forces of Hungarian politics.

The conservative coalition which won the spring poll is likely to repeat its victory at the local level, bolstered by the strength of its main component, the Hungarian Democratic Forum.

But opinion polls suggest that the main gainer will be the Alliance of Young Democrats (Fidesz), a youth party which has no counterpart in either the west or eastern Europe.

Fidesz is unusual in that its leaders are all in their 20s, and yet it still manages to attract mass support. Support for Fidesz has surged from 9 per cent at the spring elections to nearly 20 per cent, giving it second place, according to recent polls.

The success of Fidesz is perplexing. In other eastern European countries, as in Hungary, young people were at the forefront in opposition to the old communist regimes. There the similarity ended.

"After the revolutions they got lost somewhere," said Mr Gabor Fodor, a co-founder of Fidesz. But Fidesz is far from disappearing. The party's 22 MPs are among the most effective performers in parliament and its election campaign was the most memorable.

The party's policies are unremittingly radical: acceleration of the move to a market economy is a main plank. They have struck a chord among many Hungarians who yearn for change and are told by the government that the system has changed, but who feel only the acceleration of inflation.

Mr Fodor has proved himself so responsible and intelligent in parliament that any charges that the party is lightweight fall flat. People already talk of the 28-year-old as a future prime minister.

Troops withdraw as Azerbaijanis vote

SOVIET troops withdrew from view in Azerbaijan's capital Baku yesterday as voters took part in the first local elections since Moscow cracked down on mass unrest in January, Reuter reports from Moscow.

A spokeswoman for the Popular Front movement, which led the anti-government protests nine months ago in the Caspian Sea city, said: "There is almost no-one on the streets. The soldiers have withdrawn, the civilians are at home."

About 60 per cent of voters across the southern republic had turned out to cast ballots by mid-afternoon, said a spokesman at the central election commission headquarters in Baku.

But a Popular Front candidate estimated turn-out was much lower in Baku – about 35 to 40 per cent.

He claimed officials would try to inflate turn-out in an attempt to make life appear normal in the republic, which is under a state of emergency since soldiers killed more than 150 people while suppressing anti-government protests in January.

It was the first multi-party election held in the southern republic under Soviet power, with Social Democrats, Greens and Popular Front members competing against Communists for seats in the parliament and local councils.

Opposition parties say they have had difficulty campaigning under the state of emergency. Several leaders are still in jail and their newspapers are censored. Their expectations are not high.

The city has been closed to non-residents for the election, and official results are not expected for several days.

The "Democratic Azerbaijan" bloc of opposition parties has nominated only 215 out of 1,198 candidates competing for 350 seats. In some districts there are 20 candidates for one seat, making a second round of voting likely. Official results are not expected for several days.

Ridley renews attack over monetary union

By Ralph Atkins

MR NICHOLAS Ridley, the former British trade and industry secretary, yesterday said Germany should stop "hectoring" Britain about European monetary union.

Germany's decisions on unification and rapprochement with east Europe and the Soviet Union would affect other European Community members "without our being consulted, let alone being able to stop it, even if it adversely affected our interests", Mr Ridley said.

In an article in the Sunday Correspondent, he warned that higher German inflation, which could result from the costs of unification and other German expenditure commitments, would "play havoc with the Exchange Rate Mechanism".

Higher German interest rates would have to be matched by other EC members.

Mr Ridley, who resigned in July after an outspoken attack on Germany and the European Commission, feared Britain would lose control of its economic policy. "Just as West Germany now dominates East Germany after monetary union, it will dominate Britain after European monetary union. Let me wish the people of united Germany all success and good fortune for the future. But equally, let them stop hectoring us to participate in monetary union."

Widespread contamination feared after nuclear blast

AN explosion at a nuclear fuel processing plant in the Soviet republic of Kazakhstan last month may have contaminated 120,000 people, a local environmental official said on Saturday, Reuter reports from Moscow.

Mr Rishat Adamov, chairman of eastern Kazakhstan's Regional Committee on Environmental Protection, said 60,000 people demonstrated last Thursday in the city of Ust-Kamenogorsk to demand that the plant be closed.

"It's a bomb in the centre of the city," Mr Adamov said. The blast in the city on September 12 released toxic beryllium oxide gas into the atmosphere.

Medical sources in Moscow said exposure to beryllium, a metal widely used in the nuclear and aerospace industries, might lead to lung problems. "In the worst cases," one said, "it would cause breathing difficulties, coughing and spitting blood."

Mild symptoms would be similar to bronchitis and could clear up within a month. There might also be eye and skin problems. While it could be fatal in extreme cases, most symptoms should clear in six months, the sources said.

Kazakhstan's President Nursultan Nazarbayev called on the Soviet government to provide compensation for health damage in the region, which has been declared an ecological disaster zone by local authorities. He also demanded an independent investigation.

"According to our estimates, up to 120,000 people were subject to contamination on that day [of the explosion] for four or five hours," Mr Adamov said. The blast was at the Ulba metallurgical works, near the Soviet borders with Mongolia and China.

World leaders adopt 10-point programme for children's rights

By Michael Littlejohns, UN Correspondent

MORE THAN 70 world leaders last night approved an ambitious plan of action to give every child a better future.

A world Summit for Children meeting at the United Nations adopted a 10-point programme to protect the rights and improve the lives of almost 3bn people aged under 16.

Heads of state and government from Albania to Zimbabwe spent yesterday discussing how to reduce by one-third child deaths, now estimated at 40,000 a day; how to halve the extent of malnutrition, which now contributes to about 50 per cent the deaths; and how to eradicate polio, and provide pre-natal care for all women and family planning advice for couples.

There was no mention of the cost of such national and international programmes. Officials stressed in advance of the summit that it was not "a cheque-book conference".

A co-chairman of this biggest gathering of world leaders in history, Mr Brian Mulroney, prime minister of Canada, said the peace dividend that many had expected from the end of the Cold War already was diluted by the Gulf crisis. "Once again, the neediest children have lost – in large measure because so few voices among the powerful have spoken out strongly on their behalf," he said.

US President George Bush, citing what he called stark and oppressive facts, said more than 14m children would die this year and in the next hour alone 1,000 babies would perish. "So let us affirm in this historic summit that these children can be saved," he said.

Mrs Margaret Thatcher, the British prime minister, put the accent on the family as the most important factor in ensuring children's welfare. The dominant influence on the child's health, behaviour and the success of its education was parental example.

Economic progress did not necessarily solve human problems, as was demonstrated by the many difficulties faced by families in western countries.

Mrs Thatcher, who was to have dinner with Mr Bush last night, had short meetings with as many 40 visiting heads of government, including for the first time President Carlos Menem of Argentina.

The summit plan of action lists among its main goals:

- Between 1990 and 2000, the infant and under-five mortality rate should be reduced by one third to 50 and 70 per 1,000 live births respectively.
- By 2000, the maternal mortality rate should be halved.
- During the same period severe malnutrition of children under five should be halved.
- There should be universal access to safe drinking water and sanitary sewage disposal.
- Within the next 10 years, universal access to basic education and completion of primary education by at least 80 per cent of children should be provided.
- Adult illiteracy should be halved, with special emphasis on female literacy.

Canadian Prime Minister Brian Mulroney, centre, introduces Soviet Foreign Minister Eduard Shevardnadze to the youngest journalist at the UN Summit – 11-year-old Laura Fawcett from Calgary

Havel walks mean streets, Syse goes stargazing

By Peter Riddell, US Editor, in New York

PRESIDENT Vaclav Havel of Czechoslovakia has always wanted to be a different kind of leader – keeping freedom of movement and informal contact, along with his power.

So it was no surprise at 12.15 pm yesterday to see him walking through the bar of the Algonquin Hotel with a few friends and hardly a security man in sight.

As by far the most distinguished writer among the 71 world leaders assembled in New York for the UN conference on children, he naturally wanted to see the Algonquin Round Table – the home during the 1930s and 1940s of such New York wits as Dorothy Parker, Robert Benchley and Alexander Woollcott.

This is perhaps the nearest thing to Prague society in the US – though, now under Japanese ownership, it is more a refuge for tourists (and journalists) than literary lions.

The Algonquin was only the end of a late evening stroll for Mr Havel, down from his hotel on 59th Street to Times Square near 42nd Street – an area which crime-panicked New Yorkers would be wary of visiting that late at night.

Other world leaders were, more conventionally, being escorted around town in convoys of police cars, sirens screaming. Where are they?"

But even the best laid plans can go wrong. As Mr Bush was meeting Mr Toshiki Kaifu, the Japanese prime minister, an apparently faulty fire alarm went off, producing hordes of fire-engines and fire inspectors.

While New Yorkers are traditionally blasé about celebrities, even visiting world leaders can be impressed by whom they meet. Mr Jan Syse, the Norwegian prime minister, was awed by one star he met at a restaurant – "It's not every day you meet Paul Newman."

Soviet Union and Israel restore ties

THE SOVIET Union and Israel yesterday agreed to re-establish consular relations between them, after a 23-year break in relations, Robert Mauthner reports from the United Nations.

Mr Eduard Shevardnadze, the Soviet foreign minister, and Mr David Levy, his Israeli opposite number, said in New York their countries would open bilateral talks shortly, with a view to the reopening of their consulates-general in Moscow and Tel Aviv. Nothing, however, was said about prospects for the restoration of full diplomatic relations.

- The Soviet Union and South Korea set up diplomatic ties yesterday, ending decades of hostility between the communist superpower and the tiny US ally, Reuter reports from the United Nations.

Cambodia and missing servicemen top of agenda for Baker and Thach

US-Vietnamese relations improve with talks

By Peter Riddell in New York and John Pedler in London

THE US and Vietnam have held their highest-level meeting since 1973, in what a US State Department official described as "a step in the direction" of further normalisation of their relations.

Mr James Baker, the US secretary of state, held talks on Saturday with Mr Nguyen Co Thach, the Vietnamese foreign minister, about Cambodia and the sensitive issue of the 1,678 American servicemen said to be still missing in Vietnam. Mr Baker urged Mr Thach to move on the issue of the servicemen.

A US official said: "The pace and scope of normalisation will be directly affected by progress on this issue." The US believes full normalisation can only take place in the context of a political settlement in Cambodia, and its pace and scope will be affected by the missing-soldier issue.

US policy towards Vietnam and Cambodia has been the driving force behind the western embargo on all economic and development aid to the two countries, which each is anxious to overcome. The Cambodian government wants urgent aid to feed and resettle 150,000 displaced people who have fled their mountain valley or forest homes to get away from the Khmer Rouge guerrillas.

To underline the US concern over the missing servicemen, Mr Baker said he was prepared to make an exception to the travel restrictions which keep Vietnamese officials within 25 miles of New York city.

This will allow Mr Thach to travel to Washington this week to meet Gen John Vessey, the former chairman of the US joint chiefs of staff and special US negotiator on the issue. The Vietnamese foreign minister will also have private discussions with members of the Senate Foreign Relations Committee.

On Cambodia, Mr Baker noted that "significant progress has been made in recent months" on achieving a settlement and said Vietnam had played "a constructive role in these developments". Mr Thach said Vietnam, having withdrawn its troops from Cambodia, would withdraw its military advisers from the country and would accept international monitoring of withdrawal.

The attitude of most western governments is that now the four Cambodian "factions" have at last formed a Supreme National Council, aid should begin once this body agrees on a political solution, which in turn will mean a ceasefire and a UN presence.

But the Supreme National Council can decide nothing without the "consensus" of its members, and negotiations have broken down already. The west could end its embargo and put in place an emergency infrastructure without waiting for the Supreme National Council because the UN special mission of August last year reported that the UN could not operate in Cambodia unless some roads and telecommunuications were first restored.

The US, which has no diplomatic relations with Vietnam, has in the past two months signalled an improvement in relations by holding discussions in New York with officials from Hanoi.

Thach: high-level talks

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Peking denial on supplying nuclear chemicals to Iraq

CHINA yesterday denied a British newspaper report that it had agreed to sell Iraq large quantities of a chemical used in the manufacture of nuclear weapons and missile fuel, the Press Association reports.

The Independent on Sunday said a subsidiary of North China Industries (Norinco), a Chinese state company, agreed 10 days ago to supply about seven tonnes of lithium hydride to Baghdad.

Unnamed sources said the chemical was likely to be flown from China to Tehran and sent as "pharmaceuticals" to Iraq, thus breaching the United Nations trade embargo for which China voted.

Yesterday, however, the UK Foreign Office said China had assured Britain it intended to enforce the sanctions.

And the New China News Agency quoted the Peking foreign ministry as saying: "The report by the Independent on Sunday is totally groundless."

A Norinco spokesman, contacted by Reuters in Peking, denied the company even produced lithium hydride.

The newspaper said the chemical had few civil uses, although it could be used in pharmaceuticals and in the computer industry. Its military applications included the manufacture of hydrogen bombs and missile fuel.

Meanwhile, China, citing "unfortunate" history, expressed concern Sunday about a Japanese proposal to send military personnel to the Gulf, in what would be the first deployment of Japanese troops overseas since Second World War, (AP) reports from Peking.

The Japanese prime minister, Mr Toshiki Kaifu on Thursday proposed sending peacekeeping forces to the Gulf under a United Nations umbrella.

China retains bitter memories of Japan's invasion in the 1930s and its attempts to annex Manchuria, part of north-eastern China.

A Chinese Foreign Ministry statement, carried by the official Xinhua News Agency, said: "The people of China and some other Asian countries cannot but be concerned over the Japanese government's plan to dispatch members of its Self-Defence Force to UN peace co-operation corps abroad, as that unfortunate part of history remains fresh in their minds. It is our hope that the Japanese government will deal with this matter prudently."

The statement did not elaborate.

Japan's postwar constitution, written under US guidance during the Occupation after Japan's surrender in 1945, bans the use of force to settle international disputes. Strong anti-military in Japan also has kept a strict limit on the size and role of Japan's armed forces.

But the United States has pressured Japan and West European countries to make a major contribution to an international force aimed at forcing Iraq to withdraw from Kuwait. In unveiling his plan on Thursday to send soldiers to the Gulf, Mr Kaifu said he thought it necessary to "do something requiring a little sweat."

He said the soldiers would be kept from combat and would not necessarily be armed.

Mr Kaifu's plan still must be approved by the Japanese Parliament.

Riyadh and Amman maintain uneasy peace

By Lamis Andoni in Amman

WHEN the chieftain of the Al Majali clan, a big Jordanian tribe, declared his support for both Jordan's King Hussein and King Fahd of Saudi Arabia in a half-page advertisement in the Jordanian dailies, it was a signal that Riyadh was using its historical ties with the southern tribes to increase pressure on Amman.

Suspicions that the advertisement was a Saudi-induced move were confirmed when the clan, including the brothers of the chieftain, denounced the advertisement and dissociated themselves from it.

Against the backdrop of deteriorating relations between Riyadh and Amman over the Gulf crisis, Saudi influence cannot be completely dismissed.

Financial aid from Saudi Arabia has constituted roughly 15 per cent of the Jordanian government's budget since 1979. Between 1979-1988 Saudi Arabia gave Jordan $360m (£190m) annually. The amount dwindled to $200m in 1989 but because of the devaluation of the dinar, Saudi aid remained 15 per cent of the budget.

At the same time, both countries worry that the tensions could push to the surface historical differences and claims by the two dynasties. The al-Saud family once considered the port of Aqaba and other southern districts as parts of its kingdom, while King Hussein's great grandfather was the king of Hijaz, until the al-Sauds forced him out in 1919.

The two countries have never allowed these historical claims to dominate their policies, especially after the reconciliation between the late Saudi King Abdul Aziz and Abdullah, Hussein's grandfather, shortly before the latter's assassination in 1950.

But Saudi influence in the south was always felt. Consecutive Jordanian governments have turned a blind eye to the monthly salaries to many chiefs of the borders bedouin tribes. "Saudi Arabia has never used its influence before to create problems for Jordan, it was just not its style," said a Jordanian official.

Until two weeks ago, when Saudi Arabia cut off oil supplies to the country,the press was not allowed to criticise Saudi Arabia. "The king, the army and Saudi Arabia have always been the three taboos as far as the press is concerned," says Mr Fahed Al Fanek, a columnist.

But But now Riyadh, angered by King Hussein's public condemnation of the US-led military build-up in the Gulf, has cut off oil supplies to the country, and deported a number of Jordanian diplomats. Consequently, Jordanian newspapers are criticising Saudi rulers every day, though there has been no attack against King Fahd personally.

The advertisement episode was hardly a surprise to Amman or the Jordanians in general. It is no secret that Riyadh has cultivated several tribal chiefs in the border area. That some of these chiefs, or elders, make regular visits to Saudi Arabia to pay respect to King Fahd and collect the al adah ("the habit") – an annual fee – is also well known.

But residents of the south say some elders have been receiving more money recently, in a Saudi attempt to reverse Jordanian popular support for Iraq.

The reported Saudi activities, however, have failed to produce the desired impact. "They are investing in a failing social structure," commented a former Jordanian official.

Although tribes are still a big feature of Jordanian society, tribalism as a factor in shaping political allegiances has been considerably undermined by the country's democratisation process.

The parliamentary elections last November – the first in 23 years – underscored the shift, as many tribal chiefs lost against members of the educated and politicised younger generation.

But the Jordanian government is said to be trying to contain the increasing tensions with Riyadh, which is not only a big financial backer of Jordan but can increase the squeeze on the kingdom's ailing economy by deporting several hundred thousand Jordanian expatriates.

Jordanian economists and analysts believe Riyadh is unlikely to take such a drastic step, given that destabilising the Amman regime could bring to power an even less sympathetic alternative.

A piper plays as Challenger tanks of the 7th Armoured Brigade – the "Desert Rats" – are prepared to leave Bremerhaven for the British forces in the Gulf.

UK frigate stops Indian freighter

A BOARDING party from the British frigate HMS Jupiter joined US coastguards in stopping and searching an Indian ship in the Gulf yesterday, the Ministry of Defence said, the Press Association reports.

It is the first time British personnel have boarded a ship since the Gulf crisis began.

The Indian vessel, the MV Akebar, thought to be a freighter, was returning from delivering humanitarian aid to Iraq and carrying about 1,700 refugees. The ship was declared free of contraband after the search, north-east of Qatar, and allowed to continue its journey.

The MoD said later the Akebar was on its way to to Dubai to disembark the refugees.

The MoD said the purpose of the exercise, in which five British sailors were involved, was to check the ship was not breaching UN sanctions against Iraq, imposed after its invasion of Kuwait.

The Jupiter is a regular member of the Armilla Patrol, which protects shipping in the Gulf, and has taken on a heightened role since the crisis erupted.

● Mr John Wakeham, the British Energy Secretary today begins a three-day visit to the Middle East to discuss the Gulf crisis and oil and energy matters.

Jordan may impose limit on refugees

JORDAN may have to impose a limit on the number of Gulf crisis refugees streaming across its border unless the international community makes greater efforts to repatriate them, a government official said on Sunday, Reuter reports from Amman.

Mr Salameh Hammad, head of a ministerial evacuation committee said more Arabs and Asians were fleeing from Iraq and occupied Kuwait but the Jordanian government had received little financial aid from abroad.

"I am afraid I will have to request the government to adopt appropriate measures to ensure that the number of arrivals does not exceed the number of departures," said Mr Hammad.

Mr Hammad said his committee, in co-operation with UN and other humanitarian agencies, was working on a contingency plan to take up to 150,000 evacuees in case of a sudden new influx.

Mr Patrick Gassaer of the International Committee of the Red Cross (ICRC) said 40 large tents had been set up in the last two days at a new site called Ruweished One, 20km east of the Ruweished border post.

"We cannot accept more than 4,000 to 5,000 people in this centre and we have asked the authorities not to let us have more than we can handle," he said.

An access road to the camp has been asphalted so that buses and supply trucks will not sink in mud if rains come next month. Mr Hammad said relief workers had little information on how many people might leave Iraq or were already on their way.

At Mercy Camp, also in the border region, Mr Jim Nuttall from the Save the Children Fund said more than 3,500 Sri Lankans and Bangladeshis had arrived at the camp overnight.

"The government wants us to go up to 20,000 people, but we reached a compromise of 15,000," he said.

INTERNATIONAL NEWS

UK strengthens linking of human rights to aid

By Michael Holman, Africa Editor

THE British government yesterday strengthened its stand on linkage between human rights and overseas aid, and announced that it would soon launch "a British political foundation to help the consolidation of fledgling democracies".

Writing in the latest issue of Crossbow, the quarterly journal of the Conservative Party's Bow Group, Mr Douglas Hurd, the foreign secretary, argues that "good government" can make the difference between life and death for much of the world's population. Following up on a speech he made last June on the subject of political as well as economic conditions to overseas aid, Mr Hurd writes: "Poverty does not justify torture, tyranny of economic incompetence."

This time, however, Mr Hurd's views are expressed more forthrightly than in the June speech, and represent an implicit warning that many UK aid recipients will have to mend their ways. Some African countries in particular – such as Malawi and Kenya, for whom Britain is a leading donor – will have to pay particular heed to Mr Hurd's remarks.

Calling for "a concerted approach by all major aid donors", the foreign secretary sets out criteria for "good governance". Aid should be tied not only to economic reforms, but to political reform, in which "accountability must be a central plank". This, says Mr Hurd, "goes hand in hand with political pluralism and ... with more open government".

Potential aid recipients should be told that freedom from hunger and poverty goes alongside freedom from the fear of torture and arbitrary arrest, he continues. Dialogue with aid recipients should include discussion in detail of "the mechanisms for safeguarding individual rights, including an independent judiciary, recourse to proper defence lawyers, and police accountability".

Recipients of aid should be left "in no doubt about our concerns", he added.

"We should expose and condemn abuses of human rights when they are uncovered by the media, by our posts abroad, and by non-governmental organisations, like Amnesty International," the foreign secretary went on, recommending assistance to "key institutions like the judiciary".

Further measures advocated by Mr Hurd included encouragement of "freedom of the press, political pluralism and the dispersal of power".

"We should also look out for opportunities to support countervailing sources of power where it makes sense to do so," said Mr Hurd, "along with non-governmental organisations".

A "concerted approach by all major aid donors" was needed, he said.

"We don't wish to proselytise and lecture ... but we must help along a trend which is bringing democratic reform to countries as far apart as Chile, Namibia, Mongolia and South Africa."

He also announced that the government "will soon finalise the shape of a British political foundation to help the consolidation of fledgling democracies".

Brussels to tackle costly foreign exchange anomalies

Lucy Kellaway and **David Barchard** report on plans for reforming the cross-border payments system

THE EUROPEAN MARKET

ENTHUSIASTS of European Monetary Union like to explain that if you take a sum of money and convert it into each of the Community's 11 national currencies in turn, you end up with a fraction of what you started with. The rest will have evaporated in bank foreign exchange and commission charges.

Last week, the Brussels Commission decided not to wait for the advent of Emu and a single European currency to tackle such costly anomalies. It has launched a campaign for wholesale reform of Europe's rickety cross-border payments system which, on average, involves a five-day delay and charges amounting to 14 per cent of face value for transfers made from one country to another.

"We cannot accept that it should be so difficult and expensive for individuals and businesses to transfer relatively small sums of money to somebody elsewhere in the single market when it is so easy within their own member state," says Sir Leon Brittan, the commissioner responsible for financial services.

Leading European banks were not prepared to comment in detail on the proposals, set out in a Commission Green Paper, until they had studied them more closely. But Sir Leon has clearly touched a raw nerve. "If Brussels is trying to stop banks making any profit at all, there is no point in us doing the business," said one London banker last week.

Bankers are coy about the size of their European cross-frontier payments business – and about how much money they earn from it. Many claim that on most of the business they merely cover costs, which include the manual processing of transactions, exchange rate conversion and fees. Since banks do not charge for transfers inside their own countries but subsidise them from profits elsewhere, it is hard to judge what would be reasonable charges for cross-border payments.

McKinsey, the management consultants, put the net cost to European banks of all payments transfers at $23bn (£12.2bn), almost equal to their $26bn gross profits on current accounts. Though these estimates do not distinguish between national and cross-border payments, they indicate the huge expense involved – and the scope for savings.

Many bankers clearly resent what they see as unwarranted meddling by Brussels in their affairs. They complain that the Commission's new initiative is unnecessary because they have set up pan-European systems for cash machines and payment cards. "Effective international money transmission channels for the personal customer already exist. They are called Visa and Mastercard," said one banker.

However, critics argue that leaving matters up to the banks is a recipe for inertia. Even within countries, commercial rivalries have often prevented them from collaborating on joint projects, as demonstrated several years ago by British commercial banks' failure to agree on proposals for a common electronic funds transfer (Eftpos) system.

Progress on standardised EC-wide payments methods has been even slower. The spread of credit cards such as Visa International, for instance, has long been fiercely resisted by banks in West Germany. They, like their counterparts in much of the rest of the Community, also frown on competition in product innovation and pricing.

At present, there are disadvantages to all methods of payment across borders, with the arguable exception of credit cards. Cash is still by far the most popular medium of exchange, accounting for 90 per cent of cross-border retail purchases. However, bank foreign exchange charges on small sums can be high, ranging from 5 to 15 per cent.

Only one in every 20,000 cheques written in the EC is paid across borders – partly, perhaps, because domestic cheques for under about Ecu50 (£35) cost so much to collect that banks have been known to return them to the senders uncashed. The Eurocheque system, which is standardised across Europe and backed by a cheque guarantee card, is cheaper and more convenient. In 1989, 42m Eurocheques worth about Ecu5bn were used in payment outside their holders' native country.

But even Eurocheques are far from ideal, and the system is being investigated by the Commission's competition department. Most Banks issuing Eurocheques charge customers 1.6 per cent per cheque, plus a further commission for cashing it. Sir Leon is concerned by the scale of charges and the low guaranteed value. As competition commissioner, he is also investigating possible collusion over pricing between Eurocheque and some French banks.

Surprisingly, electronic transfer emerges from the Commission's inquiry as the payments system most urgently in need of overhaul. It is expensive and inefficient, because systems are still organised entirely along national lines. National banking systems' bulk electronic clearing operations do not operate across borders, so payments between EC countries are paper-based and processed manually via correspondent banking networks.

Even within EC countries, banks still depend heavily on paper-based systems. Only in the Netherlands are more than half transactions (by value) completely paperless, while in Italy and Belgium 99 per cent still involve paper at some stage. That all spells long delays as cheques are shuffled from bank to bank.

Sir Leon argues that it is in the banks' self-interest to modernise their archaic methods. More efficient payments systems would reduce labour costs, eliminate the need for costly accounts with correspondent banks and encourage more customers to use banking services.

The Commission wants a new institution to link national clearing systems. Banks would send all payments to their national clearing houses, which would channel cross-border transactions to the proposed institution. This would convert currencies, carry out settlement and remit payment to clearing systems in receiving countries.

But the banks say the Commission under-estimates the cost and complexity of linking 12 national clearing systems. Regulators may also object that the Brussels proposal would be hard to supervise.

The Commission says its overriding concern is that Europe get a payments system which is efficient, transparent and reasonably priced. Exactly how it would function and who would operate it is a matter for discussion with commercial and central banks. Sir Leon wants to hear their ideas. But given European bankers' evident reservations, and their past reluctance to collaborate on any scheme which was not demonstrably to their commercial advantage, he may have to work hard to convince them that they really stand to benefit from his proposals.

Tax imposed on Italian share profit

ITALY'S first capital gains tax on share dealings in modern times comes into force today following publication of a special decree law, **John Wyles** writes from Rome.

The tax is one of the innovations contained in the government's 1991 budget proposals, which were announced on Friday. They aim to cut L48,000bn (£2.3bn) off underlying spending so as to achieve a total deficit next year of L132,000bn, and a surplus net of debt interest payments of L8,100bn.

The rush to impose the tax on share dealings is probably seen by the government as a means of countering trade union complaints about the budget's impact on health care – the availability of free medicines is to be radically curtailed – and on higher charges for some public services.

The tax has been fixed at 20 per cent for short-term dealings and 12.5 per cent for stock which has been held longer than 18 months. Initially it will apply to all dealings in current shareholdings.

EC's quest for legal harmony may restrict asylum-seekers

By Peter Miller

WESTERN Europe is in danger of harmonising its policies on asylum-seekers at the level of the most restrictive countries just when the movement of refugees is greater than it has been at any time since the first Hungarian revolution in 1956, says a report* published today.

In 1989 there were 232,000 migrants in Europe looking for recognition under the UN Convention on the Status of Refugees, and in 1990 "the numbers are rising", according to Mr Philip Rudge, a council member of the London-based Minority Rights Group, the research organisation which commissioned the report.

Meanwhile, recognition rates have dropped steadily since 1984 when roughly half of all asylum-seekers were accommodated.

On average, about 35 per cent of applications are now approved in the European Community countries and Switzerland.

The report – published to coincide with the start in Geneva of the annual meeting of the executive committee of the Office of the UN High Commissioner for Refugees (UNHCR) – points to a growing use of practices to prevent asylum-seekers from reaching EC borders: for example, visas where none was required before and sanctions against carriers which convey people without papers.

"As individual countries have introduced restrictive measures, refugees have been diverted to those with more open policies.

"Some states fear that the elimination of internal EC borders proposed for 1992 may lead to a concentration of refugees in a few states, overburdening their capacity to cope," the report says.

"The main purpose of the harmonisation attempts by EC states is therefore likely to be that of uniformly increased restrictions."

In June, the Twelve – with the exception of Denmark – signed the Dublin Convention which allocates responsibility for considering applications for asylum. A second draft Convention – on external border controls and a uniform visa policy at the European level – is expected to be agreed in December.

The authors of the report express concern at the implications of the legal regime governing these documents. Drawn up under international, not Community law, they are not subject to challenge in the European Court.

The report appears at a time when Switzerland has reported a record number of asylum applications.

* *Refugees in Europe, available from the Minority Rights Group, 379 Brixton Road, London SW9, Price £2.95.*

WORLD ECONOMIC INDICATORS

FOREIGN EXCHANGE RESERVES (US$m)

	Jul.'90	Jun.'90	May '90	Jul.'89
US	47,457	47,294	46,803	34,001
Japan	67,413	66,499	66,694	82,181
W. Germany	57,768	58,871	58,085	52,101
UK	32,194	31,589	31,066	35,530
Italy	65,147	61,489	55,932	38,691
Belgium	10,316	10,809	9,906	9,146
Netherlands	15,558	15,642	15,875	14,907
	Jun.'90	May.'90	Apr.'90	Jun.'89
France	26,045	25,469	25,542	22,445

Source: IMF

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INTERNATIONAL NEWS

India's PM faces a revolt from within Janata Dal

By K.K. Sharma in New Delhi

THE first open revolt against the leadership of Mr V.P. Singh, India's prime minister, from within the ruling Janata Dal party emerged at the weekend when some of its MPs signed a memorandum demanding his resignation.

Mr Singh yesterday won a vote of confidence at a meeting of the National Front parliamentary party – of which the Janata Dal is the main constituent – and there is no immediate threat to his position. However, he has inevitably been weakened by the revolt.

More than 20 MPs are believed to have signed the memorandum.

They are thought to be followers of Mr Chandra Shekhar, who is known to aspire to the prime ministership, and Mr Devi Lal, recently dismissed as deputy prime minister by Mr Singh.

Mr Devi Lal attended the National Front parliamentary party meeting briefly to hand to Mr Singh his letter of resignation as an MP in protest against the "style, timing and manner" in which the prime minister has handled the situation arising out of his decision to reserve 27 per cent of government jobs for deprived castes in India.

Mr Singh's opponents have seized the opportunity presented by the violence over the programme to attack him. The move for his resignation reflects the growing anger over his unwillingness to compromise over the jobs reservation issue.

The vote of confidence in Mr Singh was unanimous, but it came after some members of the Janata Dal walked out of the meeting. They were led by Mr Yashwant Sinha, who started the move for Mr Singh's resignation. Mr Sinha, who is known to be a supporter of Mr Chandra Shekhar, hosted a dinner on Saturday at which about 20 MPs were present.

He told reporters: "Some of us believe that the prime minister should resign in view of all the problems he has not been able to solve, but I can't say how many."

The revolt came just before a special session of parliament is to begin today to consider a bill to amend the constitution to prolong president's rule (direct administration from New Delhi) in Punjab and postpone elections in the troubled state again.

The session is expected to be stormy and will be used by Mr Rajiv Gandhi's opposition Congress party to attack Mr Singh for his handling of the job reservation issue.

There is considerable uncertainty over the bill, which needs a two-thirds majority of both houses of parliament. Since the National Front is in a minority, it needs the support of the Congress to have the bill passed.

The Congress has so far given no commitment on the matter and has sharply attacked Mr Singh for failing to tackle the Punjab insurgency.

The Gulf crisis will cost India's economy about \$2.8bn (£1.48bn) and the government may have to swallow its pride and borrow from the International Monetary Fund, officials and economists say, Reuter reports from New Delhi.

Mr Madhu Dandavate, the finance minister, said in Washington that India had not yet asked the fund for a loan, but "in such a big crisis, no options are ruled out", Indian news agencies quoted him as saying.

"The finance minister has finally decided to take the plunge and tap IMF assistance," The Times of India said. He had urged the IMF to set up a fund to help developing countries pay for the doubling of oil prices.

ANC changes its economic rhetoric

By Patti Waldmeir in Johannesburg

THE ISSUE of "nationalisation" rates scarcely a mention in the latest economic policy document from the African National Congress (ANC), due to be released later this week.

The head of the ANC's economics department, Mr Tito Mboweni, claims that the document – far from the last word on ANC economic policy, but the best indication yet – represents a major shift in ANC thinking.

The only previous economic paper from the organisation, released in June, stated clearly under the heading "ownership and nationalisation" that "nationalisation would be an essential part of the reconstruction programme". The new paper says only that public utilities which are privatised "will be subject to immediate renationalisation". Given that Pretoria has all but abandoned its programme for privatising utilities in any case, this threat may never be carried out.

Thus the ANC's economic rhetoric has changed. The latest document is far more sophisticated than the previous effort; it carefully avoids terms, such as nationalisation, which the ANC knows will provoke the business community and traumatise local markets.

But the reality of ANC policy may well remain largely unaltered. Despite the commitment to nationalisation spelled out in the June document – drawn up by an informal group of economists sympathetic to the ANC – many ANC officials have anyway opposed widespread nationalisation from the beginning.

The new document nevertheless makes clear throughout that the state would play a very large role in the ANC's mixed economy. In the case of "strategic enterprises whose role is central to the realisation of development objectives," the document says, "it could be anticipated that there will be cases where the balance of evidence suggests that it would be advantageous to have public corporations operating in these areas.".

It adds: "In such cases these would be established by the voluntary, or on rarer occasions, the compulsory purchase of existing enterprises or by the establishment of new public enterprises." The language may be cautious – indeed convoluted – but the message is clear.

The document goes on to say that "consideration would have to be given to the nature and extent of state intervention and ownership" in the mining industry, including the possible creation of a state minerals marketing authority. The state would intervene to ensure that the capital markets were "more ordered and orientated towards meeting broader development objectives". The state would be relied on to solve the country's shortage of black housing.

The document is careful to stress that the ANC is aware of the dangers of creating a large state sector: "large, profligate public corporations and parastatals" will be avoided, as will "commandist or bureaucratic planning methods", it says. But it fails to indicate how this will be done.

Indeed, the document is full of statements of good intentions, but short on detail. It outlines a utopian state in which everyone is decently housed, fed, clothed and employed, while inflation is tamed, budget deficits eliminated, and productivity raised.

Four whites found dead in South African township

By Patti Waldmeir

THE MUTILATED and burned bodies of four white South Africans were found in a black township yesterday, the first white victims of township violence which has killed almost 800 blacks in the past two months.

The three men and a woman were hacked, beaten and set on fire after having petrol poured over them, police said. The reason for the killings was not known.

A Johannesburg radio station said the dead apparently had visited a shebeen drinking house in the Orange Free State township of Khutloanong, about 200 km south of Johannesburg, on Saturday night. It said the bodies were lying next to a burnt out car registered in the Orange Free State gold mining town of Welkom, where there have been a number of racial incidents in recent months.

In separate incidents, a black man and three youths were killed with burning petrol-filled tyres in the township of Sebokeng near Johannesburg – scene of some of the worst fighting of recent weeks.

■ The South African president F W de Klerk is to visit London next month for talks with Mrs Margaret Thatcher, Whitehall officials said.

Hong Kong growth forecast lowered

By Angus Foster in Hong Kong

HONGKONG Bank is lowering its forecast for the colony's GDP growth from 3 per cent to 2.5 per cent this year. The bank also raised its estimate for inflation by half of 1 per cent to 9.5 per cent and warned that capacity constraints, such as an acute labour shortage, could further dent economic growth.

The forecasts are the same as the latest government estimates, updated soon after the Gulf crisis started.

But some economists now think the government's figures are optimistic because Hong Kong registered almost zero growth in the first half of the year. Inflation averaged 9.3 per cent in the first six months, before the effects of higher oil prices started to be felt.

Hongkong Bank said that despite the slowdown in the economy, inflation showed few signs of easing.

But the bank was more optimistic about Hong Kong's trade performance, which is now closely linked to China, its largest trading partner. The bank said China was trying to boost exports and there are signs economic growth is recovering.

Tokyo stock market set to fall further

By Stefan Wagstyl in Tokyo

THE Japanese stock market, which last week plunged to its lowest levels since March 1987, could fall further this week in the face of continuing upward pressure on interest rates and tension in the Middle East.

Analysts at stockbroking companies fear there is little or no prospect of a recovery in equities as long as there is real concern that fighting could break out between Iraq and the US-led multi-national forces. Some brokers believe the Nikkei index of leading stocks, which fell nearly 12 per cent last week to close on Friday at 20,983.50, could well plunge below the 20,000 mark this week.

The Nikkei Shimbun, Japan's leading economic daily, said in a stock market outlook column yesterday that the main question in the market was whether 20,000 would act as a support level or not.

The one crumb of hope for stock prices is that the wave of selling by private individuals which hit the market last week could soon exhaust itself. Some brokers say most of those private investors who wanted to sell, or had to sell to clear bank loans, may have completed their disposals.

Japanese financial institutions have already mostly decided to stay out of the market, neither buying nor selling.

In the absence of further selling pressure, prices may stabilise, say some optimistically-minded stockbrokers. But even then the mood is likely to remain very nervous.

Further evidence of the Bank of Japan's determination to maintain a tight grip on credit, and therefore keep interest rates at current high levels, came on Friday. In its quarterly instructions to banks on lending policy, the central bank asked leading commercial (so-called city) banks to cut their rate of increase in lending in the period October-December by 33.4 per cent compared with the same months last year.

This is the toughest guidance to come from the central bank since 1974, when it asked for a 35 per cent cut. The Bank of Japan's guidance on lending is not binding, but banks are under great administrative pressure to try to keep inside the limits.

The Bank of Japan, which has raised the Official Discount Rate five times since spring last year, believes that a tight monetary policy is essential to counter the threat of inflation in Japan.

The rise in oil prices sparked by Iraq's invasion of Kuwait has reinforced the central bank's determination to root out inflation.

Bhutto appears before special 'corruption' court

By Farhan Bokhari in Karachi

MS Benazir Bhutto, Pakistan's deposed prime minister, yesterday appeared before a special court in Karachi to defend herself against allegations of corruption during her 20 months in office.

She reversed her decision to boycott special courts established to consider allegations against her and her colleagues. Mr Yahya Bakhtiar, her chief counsel, told the court that, while she did not recognise its jurisdiction, she had presented herself to show that allegations against her were malicious and untrue.

In the past Ms Bhutto has said that she would not appear before the special courts called "tribunals" and would only face trial in an ordinary court.

These courts are empowered to disqualify public officials from contesting elections.

Ms Bhutto sat silently next to her husband, Mr Asif Ali Zardari, as her counsel told the court that proceedings against her were one-sided, and no action had been initiated against members of IJI (Islamic Democratic Alliance), the main rival party, for wrongdoings.

He asked for proceedings to be adjourned until after elections on October 24, to give Ms Bhutto more time for her campaign.

The judge said that the court proceedings could not be adjourned for such a period, but Ms Bhutto could file an application to be represented by her lawyers as opposed to making personal appearances. The hearing was adjourned until October 10.

But she has been summoned to make two more court appearances, in Lahore on October 2 and October 9 to face further charges.

UK NEWS

LABOUR PARTY CONFERENCE

Opposition committed to economic stability

By Philip Stephens, Political Editor

THE opposition Labour Party signalled yesterday that it would put a commitment to a stable economy alongside a pledge to radically improve the education system at the centre of its campaign to win the next general election.

As the party's annual conference opened in Blackpool last night, the Labour leader, Mr Neil Kinnock, sought to stamp his authority on the proceedings by indicating that he would not be bound by any decision by the delegates to commit a Labour government to deep defence cuts.

Disagreements over the extent to which Labour should pledge to spend the so-called "peace dividend" resulting from the thawing of the Cold War marked the only serious area of contention within the party's National Executive Committee yesterday.

Mr Kinnock, who appears confident that this year will see the most united conference since he took over as leader in 1983, won only a narrow majority at the Executive for his position that Labour should put no specific figure on the size of possible defence cuts.

He now faces the strong possibility of defeat by the full conference on Wednesday, but declared in advance that his objective this week was not to impress party activists but to demonstrate that Labour would adopt "considered and practical policies".

The tone for the conference was set by Mr John Smith, the opposition spokesman on the economy, who stressed that a Labour government would combine greater public spending in key areas with a commitment to low inflation and a stable economic environment.

Mr Smith, who will use his conference speech today to attack the government's economic record, repeated his call for immediate negotiations to take sterling into the EMS exchange rate mechanism. He also drew a direct link between the level of pay awards and the amount that a Labour government would be able to spend on improving public services.

His stance was also attacked as unrealistic by Mr Kenneth Baker, the Conservative Party chairman, who accused Labour of undertaking a "cosmetic" effort to hide its spending commitments.

In an interview Mr Baker said that the opposition's conversion to the market was "skin-deep". If it were ever elected, the levels of both public spending and taxation would rise sharply, he said.

Brushing up the velvet revolution

Ivo Dawnay on Labour Party moves towards democratic socialism

WHILE the opposition Labour Party's public policy reversals have grabbed the headlines over recent years, it is the velvet revolution within the party that could constitute an equally crucial advance on the long march back to electoral respectability.

This week, the party leadership is confident it can bury the remaining traces of the left-dominated 1980 Wembley special conference and launch a policymaking process designed to entrench the ascendancy of the new realism.

Putting the democracy into Labour leader Mr Neil Kinnock's vision of democratic socialism has come at a snail's pace. His first effort to establish the principle of "one member, one vote" for the selection of MPs was defeated by the unions' block vote only a year after he became leader in 1983. But general election defeats and by-election embarrassments, have persuaded most unions they must loosen their grip on the party they created.

Labour has already created a new mechanism for ensuring that there will be no more by-election disasters by giving the National Executive Committee power, where necessary, to impose its candidate.

Last year, the conference also approved a move to elect the leader and deputy on the one-member, one-vote basis.

Neil Kinnock: vision

This week, four further key changes are expected to be set in train. The first two centre on consolidating the power of ordinary members in the constituency Labour parties and revising the process for reselecting MPs at the expense of the activist hard left.

After the next election, mandatory reselection will be dropped and CLPs will first ballot all members as to whether to enter the full reselection process at all. Furthermore, Labour looks set to replace the electoral college system used in the MP selection process – giving unions *up to 40 per cent of the vote* – with a straightforward one-member, one-vote alternative.

An NEC report recommending these changes, while leaving the door narrowly ajar for the maintenance of the college, was due to be passed last night.

Opposition from the left has been outflanked by the largest consultation exercise of party members ever conducted, which showed 80 per cent in favour of the abolition of electoral colleges.

But the reforms do not end there. Tomorrow the conference is expected to endorse moves towards the creation of a new National Policy Forum. *While the exact form of the* new body will only be debated next year, some argue that its very consideration represents the most far-reaching rule change since the party's constitution was drawn up in 1918.

Not least, while retaining the sovereignty of conference as the party's ultimate authority, the establishment of the Forum would remove the power of delegates to write policy as they went along.

Under preliminary plans, the new body will be led by an 170-member elected National Policy Council representing the NEC, MPs and MEPs, CLPs, unions and other affiliates. It will consider policy in seven permanent commissions on a two-year rolling basis, *submitting policy to conference* for amendment or adoption only after NEC perusal.

In real terms, the NEC's plan – modelled on those of other European socialist parties – will dilute the potentially explosive power of conference, enabling it to reject policy *in extremis* but more commonly reducing it to a rubber-stamp.

"The new process should enable us to make policy in a more coherent way," one party organiser observed, "but it should also remove some of the dynamite from the conference floor."

Alongside this potentially momentous change, the decision – *also due on* Tuesday – to cut back union representation at conference from 90 per cent to 70 per cent appears at best a gesture, at worst mere window-dressing.

Certainly, the ruling Conservatives will characterise it as the latter. *But Labour* knows that the sight of union leaders at conference wielding cards baring thousands of largely-hypothetical votes has proved damaging in the past.

In the longer term, those at party headquarters believe he union dominance of conference will be whittled back further under a formula allowing greater CLP representation when – or if – individual membership rises.

But, given the ready compliance *of current union leaders* with Mr Kinnock's wishes, the party leader need not feel in any particular hurry.

Electricity details may be delayed

By Clare Pearson

THE UK government's advisers on the privatisation of regional electricity companies may suggest that Mr John Wakeham, energy secretary, delays a decision on exactly what percentage of companies to float on the stock market.

Details of incentives to be offered to shareholders in the sale, due in November, are to be announced on Wednesday, but outlines of these, including discounts on electricity bills and "loyalty" share awards, emerged over the weekend.

The government remains keen for a 100 per cent sale of the 12 distribution companies in November but is keeping its options open in the light of the jittery stock market.

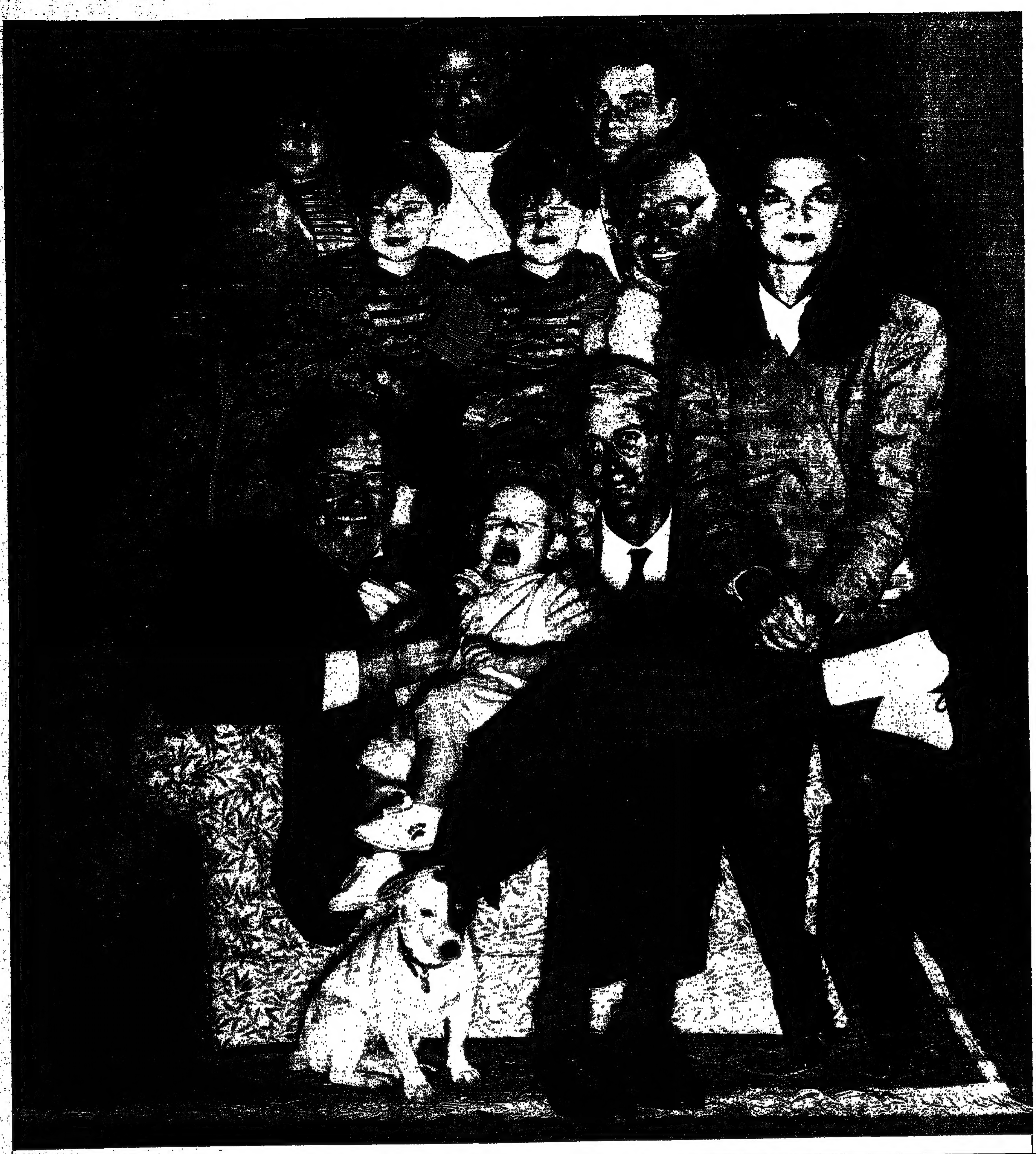
The normal timetable for a privatisation would dictate an announcement on the proportion to be sold to coincide with publication in early November of the "pathfinder" prospectus, which includes most of the information contained in the final prospectus apart from share prices. However, Mr Wakeham might be asked to consider delaying a decision to gain more time to monitor the market.

Sale of a proportion below 60 per cent has been ruled out on the ground of concern among financial institutions about the security of their investment in the event of an opposition Labour Party victory at the next general election. It is thought a 100 per cent sale would raise between £4bn and £4.5bn in current market conditions.

It also emerged that shareholders will not be asked to pay the second of the three instalments on the share offer price until October next year.

The flotation of the generators and the Scottish electricity companies in the first half of the year precludes a second "call" on shareholders during the summer, as has been normal in privatisation issues. But the government might still theoretically have chosen a date in September.

However, the Treasury is believed to be keen to keep that month clear to leave a *window open for another fund*-raising exercise, such as the sale of a further tranche of shares in British Telecom.



Lazard is leading adviser on UK takeover bids

By Brian Bollen

LAZARD BROTHERS is holding its position as the most active leading adviser in takeover bids for UK companies, according to figures published by FT Mergers & Acquisitions International.

J. Henry Schroder Wagg is the leader for advice on bids with an international element.

The figures show that bid activity in the UK is down sharply in the first nine months of the year.

The slowdown in activity reflects uncertainty in the stock market and the worsening economic outlook.

Lazard acted on 16 bids for UK publicly quoted companies in the nine months to the end of September, totalling £2.078bn. That compares with the £22bn total recorded by S. G. Warburg when it led the table a year ago, although the figures then were distorted by Hoylake's £13.5bn bid for BAT Industries.

MERGERS AND ACQUISITIONS (Jan 1 – Sep 30)

Adviser (1989 position)	Value of bids £m	number
1. Lazard Brothers (2)	2,078	16
2. Schroder Wagg (8)	2,072	12
3. Baring Brothers (18)	2,068	7
4. BZW (17)	1,586	10
5. Samuel Montagu (14)	1,036	12
6. S.G. Warburg (1)	1,028	7
7. N.M. Rothschild (11)	914	5
8. Hambro Magan (–)	728	3
9. Kleinwort Benson (10)	680	7
10.Hambros (5)	630	6

Completed bids for UK publicly quoted companies (Financial advisers named as such in bid documentation)

Second-placed Schroder, with 12 deals worth £2.072bn, has narrowed the gap between it and Lazard to £6m.

Baring Brothers climbed into third place with seven deals worth £2.068bn and Barclays de Zoete Wedd surged into fourth position, with 10 deals worth £1.586bn, including the £1.11bn bid by British Coal Pension Funds for Globe Investment Trust.

The third quarter was exceptionally quiet. Banks outside the top five reported little or no new activity, although there continues to be a stream of smaller, strategy-driven deals.

Kleinwort Benson moved into the top 10, nearly doubling its total to £608m with just one new qualifying deal since the half-year – the £308m offer by Booker for Fitch Lovell.

Hill Samuel, which did not report a single new completed bid for a quoted company in the quarter, dropped out of the top 10.

Other banks to suffer were Warburg, which dropped to sixth place, with seven deals worth £1.028bn, and N. M. Rothschild, down from fifth to seventh after recording less than £100m in new deals.

Lazard also leads the table measuring bids for both UK public and private companies, with deals worth £4.9bn.

Schroder is again second, but by a long way this time, with deals adding up to just over £4bn. Baring is still third with £3.5bn.

Schroder turns the tables on Lazard when UK bids abroad are included.

It advised on 57 deals worth £5.9bn with Lazard in second place on £5.3bn. Warburg nosed into the top three in this category, advising on 30 deals totalling £4.5bn.

In the table measuring the healthier-looking international bid market, the top four banks are unchanged.

Schroder is on top with 66 bids worth \$16.3bn (£8.7bn) while First Boston is second on \$13.3bn and 31 deals.

Shearson Lehman, in its new guise as Lehman Bros International, moves up to sixth place with \$9.3bn.

Reforming agenda proposes symbolic role for monarchy

By Ralph Atkins

AN AGENDA of constitutional reforms, including stripping the monarchy of its main responsibilities, has been proposed by the Institute of Economic Affairs, a free-market think tank closely associated with the Conservative Party.

A written constitution, incorporating the European Convention on Human Rights into British law, and an elected second chamber are suggested in a pamphlet by Mr Frank Vibert, deputy director of the institute. He also recommends an independent central bank.

He argues that Britain's institutions are no longer regarded automatically with respect. Reforms, he says, are needed to meet the challenges of evolving European Community structures and to protect individual rights.

Under the leadership of Mrs Margaret Thatcher, the Conservative Government has refrained from intervention and has encouraged individual choice and responsibility. It has been criticised for failing to secure civil liberties, Mr Vibert argues.

His paper suggests that the Queen should remain, but without her constitutional powers. That would preserve the monarchy's "symbolic role as emblem of historical continuity in British life and as an alternative focus for popular attention away from political leaders."

An officer elected by one, or both, of the chambers of Parliament could give formal assent to laws, invite a party leader to form a government, and accept a government's resignation, Mr Vibert proposes.

He argues that a written constitution would provide the opportunity to review and overhaul existing institutions. It would "help buttressinstitutions and practices not only from erosion within the UK but from pressures from outside – notably from the European Community."

He says an that independent central bank would boost the quality of monetary management and safeguard against "capricious intervention".

The paper suggests that a reformed second chamber to replace the House of Lords could be elected from lists supplied by parties.

The lists could include existing life peers.

Constitutional reform in the UK - an incremental agenda, IEA Inquiry 18. IEA, 2 Lord North Street, London SW1P 3LB.

NEWS IN BRIEF

Lloyd's may sell its newspaper

LLOYD'S of London said yesterday that it was discussing the sale of Lloyd's List, its shipping newspaper.

Mr Alan Lord, Lloyd's chief executive, said yesterday: "One or two people have approached us. When proposals come in, you have to look at them."

Lloyd's List, which began publication in 1734, is owned by Lloyd's of London Press, which is in turn wholly owned by Lloyd's of London. Lloyd's of London Press is run as an autonomous business with its own board.

BP pumps gas

BP WILL start delivering its first industrial gas supplies today when the Welland field in the North Sea starts production. BP gas marketing has signed an agreement with British Gas for the deliveries to be transported to 15 customers.

More money call

CITIZENS Advice Bureaux called yesterday for more money. Mr Stuart Errington, chairman, said in the National Association of Citizens Advice Bureaux's annual report that the present grant did not adequately reflect the expanding and heavy demands made upon the organisation.

Hurd studies plan to back emergent democracies

Douglas Hurd: hopes to promote good government

By Ralph Atkins

PLANS FOR a government-backed "political foundation" to help consolidate fledgling democracies around the world will be finalised shortly, Mr Douglas Hurd, the foreign secretary, said yesterday.

The organisation will form part of Britain's commitment to promoting "good government", Mr Hurd said. That might involve strengthening democratic institutions, encouraging free market economics and upholding human rights.

His plans, hinted at in an article in Crossbow, the magazine of the Conservative Party's Bow Group, are currently being finalised by the Foreign Office. They are thought to envisage an organisation looking at promoting good government in evolving eastern European countries as well as the Third World.

Mr Hurd said all political parties at Westminster would be consulted. A potential sticking point for the new political foundation could be the extent of financial backing from the Treasury.

The new body would be a logical extension of the "know-how" funds the government has set up to help emerging eastern European countries. Those are specifically aimed at encouraging democracy and a free market economy in countries believed to be fully committed to reform.

Mr Hurd has also emphasised that UK overseas aid should be used as a lever for promoting better government and economic management.

Writing in Crossbow, Mr Hurd says: "We are slowly putting behind us a period of history when the west was unable to express a legitimate interest in the developing world without being accused of 'neo-colonialism'."

He said it was clear that free markets, open trade and private property "are the best way known to mankind for improving its standard of living."

Mr Hurd said developed countries should help to promote the freedom of the press and political pluralism elsewhere. They should help to strengthen institutions such as the judiciary and expose opinion formers in developing countries to the values and practices of liberal democracies. The principal that overseas aid should be conditional on economic and political reform has been accepted by Britain, the US and the European Community, Mr Hurd said.

Bank's electronic system takes securities off unsafe streets

By Deborah Hargreaves

THE BANK of England will remove billions of pounds of securities from the streets of London today when it introduces its electronic trading system for the UK money market.

London's antiquated trading system means that about £30bn of money market instruments in the form of Treasury bills and certificates of deposit are carried around the city every day, the Bank estimates.

In May a messenger was robbed of nearly £300m in bearer securities, which are technically owned by the possessor. However, control numbers on the certificates make them easily identifiable.

The system has also made trading much slower in London than in other financial centres where electronic trading systems have been in place for many years.

The Bank's Central Moneymarkets Office will start trading Treasury bills on its computer screens today. It will add certificates of deposit next week and commercial paper the following week. Transferring the instruments electronically will allow securities to change hands much more quickly. The system is similar to the Bank's electronic market for gilt-edged securities introduced four years ago. It provides a central depository for money market instruments along with an automated book-entry and settlement system.

Defence budget squeeze delays Trident purchase

By Peter Riddell in New York and Ralph Atkins in London

BRITAIN has decided to postpone buying 14 Trident missiles from the US until next year because of the squeeze on its defence budget, officials confirmed yesterday.

The Ministry of Defence said purchases planned for the US financial year, which starts today, have been delayed after a routine spending review had "shown scope for rescheduling the Trident programme without prejudicing it."

Britain has agreed to acquire a total of 64 strategic nuclear missiles as part of the modernisation of Britain's nuclear deterrent. They will be fitted in four submarines at present under construction at Vickers in Barrow-in-Furness.

Trident, expected to cost a total of nearly £10bn, is not due to come into operation until the mid 1990s so there is no immediate reason not to delay the purchase of the latest batch of missiles. But the decision may affect the cost and pace of purchases of Trident by the US Navy.

The MoD said it was committed to the Trident system.

Toleman move today on working changes

By Kevin Done, Motor Industry Correspondent

THE SHARP drop in UK new car and commercial vehicle sales this year has plunged Toleman Holding, a privately-owned company which is the largest UK car transporter group, into heavy losses.

The company is today seeking to impose on its 900-strong workforce a performance-related pay scheme and radical changes in working practices. It says they are needed to avoid job losses.

The scheme implies pay cuts in the final quarter of the year for the whole workforce and have been described by union representatives as "too radical".

The company argues that the changes are necessary if it is to reap the productivity benefits from an ambitious £35m investment programme in a new fleet of 226 car transporters.

In a bulletin to the workforce Toleman says: "The history of British industry is littered with the gravestones of companies that failed to change with the times. Now Toleman is in imminent danger of joining them.

"In a growth market that's an asset. In a recession, and that's what we are in today, it's a disaster. For Toleman it is 10 minutes to midnight."

Prospects differ for companies in electricity sale

By Divid Thomas, Resources Editor

EACI of the 12 regional electicity companies to be privatied in November will have different short-term prospects, according to a 170-page research document on the electriity industry published toay by Barclays de Zoete Wdd, one of the few large City fims that is not a broker to an ectricity company in England ad Wales.

It also says that, taken ogether, the electricity compaies will need to be priced lose to last year's water privaisation in order to attract investor support.

BZW's research contains one of the first attempts to differentiate the prospects of each of the 12 regional companies.

Mr Chris Rowland, BZW's senior electricity analyst, says that South Wales, Manweb and South Western will enjoy the smoothest profits performance over the next five years because the regulatory regime allows them to increase their prices the most.

Patient investors will see fastest earnings growth from Eastern and East Midlands because they will experience the quickest increase in volume of electricity distributed on their networks when the economy picks up.

Investors prepared to back managements could support London and Norweb, because they have the greatest scope for efficiency improvements, whereas Eastern, East Midlands and Northern already appear to be efficient.

BZW also warns that Eastern, East Midlands, Midlands and Seeboard may not have appropriate management structures for their tasks in the private sector.

Overall, however, BZW expects all the regional companies to deliver 10 per cent a year average earnings growth over the next five years, with an equivalent growth in dividends.

Mr Rowland predicts an issue yield of 8.2-8.8 per cent, close to the yield on the privatised water companies after allowing for a 10 per cent issue discount.

Government advisers, by contrast, have been suggesting that the yield will be between that on the water companies and on British Gas.

For National Power and PowerGen, the two generating companies to be sold in February, BZW predicts a higher issue yield of 9-9.5 per cent, reflecting the greater risk entailed.

Mr Rowland expects the two generators to cut their workforces by more than a quarter over the next three to four years – a higher level of reductions than they have so far announced.

A one-quarter cut in jobs would add £170m to the generators' operating profits, worth about 25 per cent on historic cost net income, BZW says.

Higher oil prices will help the generators because of the way the new electricity market or pool works, BZW says. Each $1 a barrel increase could increase after-tax profits by £50m, about 8 per cent of the totals.

In Scotland, where BZW is financial adviser to the Scottish Office for the sale of Scottish Power and Hydro-Electric, Mr Rowland predicts that the yield for the two Scottish companies will be pitched between those for the 12 regional companies and those for the two English generators.

Mohawks add colour to Ulster's Orange weekend

IT SAYS something about Northern Ireland today that the focus of popular attention this weekend was not bombs and assassinations but a small group of Mohawk Indians at the parade in Belfast to commemorate the Battle of the Boyne at which the forces of the Roman Catholic king James II were defeated.

The parade was organised by the Orange Order, a bastion of Protestant resolve and political refuseniks. But among its members and those watching the parade the main consideration appeared to be to have as good and as peaceful a time as possible. After years of violence, a sense of bruised exhaustion and a need for escape have filtered into the collective psyche.

The Mohawks were there because their ancestors had become Orangemen after fighting alongside the forces of the Crown in the American War of Independence. The current Mohawk Orange leader, Mr Melville Hill, declared himself honoured to be in Belfast, although somewhat confused by some of the things he saw on this, his first visit.

"I was in the war, all right, so I guess I know what it's like to be a soldier," said Mr Hill, aged 74, "but when you're in a civilian life and there's no war but there are soldiers all over – well, that's kind of different."

It was Saturday morning and the group of six Indians, having flown in from Ontario, had answered the call of the march gathering outside the Orange Hall near the Shankhill Road.

Just three blocks away detachments from the 3rd Parachute Regiment, backed by members of the Royal Ulster Constabulary, had positioned themselves around Unity Walk and set up giant trampoline-like protective shields.

The tight security net thrown around Unity Walk – a group of dismal council flats – may have perplexed the man from the Tyendinaga reservation. The flats represent a small Roman Catholic enclave in the midst of a large Protestant neighbourhood and are thus a poignant symbol in local politics.

It was here that in July 1969 Orangemen and Catholics fought during a season of widespread sectarian violence. Eleven years later, Northern Ireland no longer produces the extensive scenes of mayhem it once did, but the violence is never far away and, as events proved this weekend, it remains unpredictable as to its precise scope and scale.

On the eve of the parade, Belfast was subjected to 20 bomb scares, a tactic clearly designed to cause widespread disruption. While the security forces were dealing with them, an Irish League football match played locally was abandoned after a supporter carrying a Republican flag sparked off a riot.

The big parade, like the dozens of marches that take place in Northern Ireland over the summer, epitomised once again the extent to which the local community is imprisoned by its past. Sombrely suited, sashed and crowned with a bowler hat as is the tradition, the Rev William Martin Smyth, Grand Master of the Orange Order and MP for South Belfast, summarised 300 years of local history in these words: "We now firmly restate that the resolve which characterised our forebears is still resolute with us.

"Despite the terror and the tears, the bullet and the bomb, the murder and the maiming, we remain bloodied but unbowed."

William Martin Smyth: "Bloodied but unbowed"

The parade by an estimated 50,000 Orangemen had at its front a replica model of the Mountjoy. This was the ship whose crew, after some hesitance, finally mustered up enough courage to break through the Catholic encirclement of Londonderry to bring crucial supplies to the besieged Protestants. The raising of the siege led to the defeat of James II in the Battle of the Boyne in 1690.

A conductor of one of the hundreds of bands involved in the parade spoke only of commemorating a Protestant victory which "ensured civil and religious liberties".

Another bandsman spoke critically of what he saw as the government's inability to declare a no-holds-barred war on the IRA and the attempt by Dublin to intrude into Northern Ireland politics.

The battle is seen by many Unionists as an irreversible victory of Protestant over Catholic, Orange over Green, which has been immortalised as part of a political creed.

As things turned out, the Orange bands paraded past Unity Walk and back again without serious incidents. Only a drunken woman provocatively waving a union flag generated a string of expletives from a group of Catholic children.

In the city centre, what violence did occur was confined to a drunken Orangeman angry at being denied another drink and to two pubs having their windows smashed and their furniture damaged.

By Northern Ireland standards, it was a trouble-free weekend.

Jimmy Burns

Aerospace chief heads director list

By Simon Holberton

PROFESSOR Roland Smith, the chairman of British Aerospace, tops the league of British directors with the most board positions, according to the results of a study published in the October issue of Director, the monthly magazine of the Institute of Directors. Professor Smith has 11 directorships, including two executive posts and nine chairmanships.

Mr Stephen Cockburn, chairman of Telfos Holdings, comes second, with 10 directorships, while Mr Alexander Reid, chairman of English and International Trust, and Mr Christopher Mills, chairman of Consolidated Venture Trust, have nine directorships each.

The study for the institute was carried out by Hemmington Scott, publisher of Hambros corporate register. More than 6,000 directors on its database were consulted during the course of the survey.

The survey finds that 24 directors have seven or more board posts, 169 have five or more, 528 hold three or more, and 1,339 have at least two directorships. By region, 2,728 directors, or 43 per cent of the total, live in the London area; 555 live in Scotland and 64 in Wales.

The survey discloses a growing trend towards the appointment of non-executive directors, although that trend is more prominent in finance and the media.

HTV and Prudential each employ 14 non-executive directors and 30 companies have 10 or more outside directors. Of those, 13 are banks, insurance companies or investment trusts, while nine are involved with television, radio or newspapers. Only six of the UK's 250 largest companies have no outside directors at all.

The Hemmington Scott survey finds that men dominate the boardrooms of British industry and commerce. Only 16 women hold more than one directorship of a public company.

However, the institute saw signs of a change for the better in female board representation. Of the 15 youngest directors, four are women.

The institute said non-executive directors working for banks could expect to receive £20,000 to £30,000 a year for their service, whereas non-executives on the board of a small manufacturer might receive about a third of that rate.

Another survey carried out for the Institute of Directors by the Reward Group, a pay consultancy, of 600 non-executive directors found that, on average, they work 21 days a year and receive about £7,500 a year.

West Midlands expects to suffer most in downturn

By Paul Cheeseright, Midlands Correspondent

THE DOWNTURN in the UK economy will affect the West Midlands more severely than other regions and the number of jobless will rise more than the national average, according to the West Midlands Enterprise Board.

In a study of the regional economy, published today, it forecasts that the restructuring of manufacturing industry will continue during the 1990s alongside further expansion of the service industries. But the decade will be more sober than the 1980s.

Like many businesses in the region, the board, funded by seven district councils to encourage economic regeneration, views the immediate economic prospects with foreboding and expects low growth to continue well into 1991. But it also holds that the present downturn is "an inevitable response to the economic boom of 1987 and 1988".

The study holds back from predicting a recession and in that regard its point of view is broadly akin to that of the West Midlands Association of Engineering Employers, which observed last month on the basis of its own surveys the that the economic situation was less buoyant than at any time for two years.

It said conditions were variable with car sales down, house building depressed, but ironfounders, forgers and galvanisers all busy. The strong dependence of the West Midlands on manufacturing leads the board, in its study, to offer two main reasons for expecting the downturn there to be more severe than elsewhere in the UK.

● The regional economy has displayed "cyclical dynamism", but because so many industries are linked (cars and component manufacture, for example), the downturn will be more acute. It will gather momentum "if the automotive industry is forced to cut production as car sales remain beneath their peak 1989 levels".

● Because the manufacturing sector still has to make a full adjustment to the economic downturn, "it is likely that the West Midlands will be particularly affected by any attempts to cut capital spending or reduce labour costs".

Surveys from organisations such as the Confederation of British Industry and individual company announcements suggest that capital spending is already starting to fall.

The board predicts that employment in manufacturing will fall by about 28,000 by the end of 1991, but expects that service-sector employment may rise by 17,000, largely in the public service and in the business services sector.

In the longer term, as manufacturing continues to restructure and embrace new production technology, the board believes that there will be a marked change in the employment patterns of the region.

Dependence on manufacturing has made the West Midlands more prone to the extremes of the UK economic cycles.

The expected shift in patterns of employment may serve to reduce such exposure, but even by 2000, if the board's predictions are proved correct, manufacturing will still account for 14 per cent of total employment – double the national average.

Economic Review. WMEB Consultants, Wellington House, 31-34 Waterloo Street, Birmingham B2 5TJ.

Building industry still gloomy, architects find

By Andrew Taylor, Construction Correspondent

THE OUTLOOK for an already deeply depressed British construction industry is getting worse, according to a survey published today by the Royal Institute of British Architects. It says orders are continuing to fall.

The recession in house building, which began 18 months ago in southern England, has spread to other parts of the construction industry and to most areas of the country, the institute says. Only Scotland is displaying any resilience.

Commissions won by architects for private-sector non-housing work fell by 23 per cent during the three months to the end of June. Over the 12 months to the end of June, commissions for this type of work have fallen by 37 per cent, according to the survey. Housing commissions during the three months fell by 23 per cent and by 38 per cent over the 12 months.

Architects are increasingly pessimistic about prospects, the institute says. It said 47 per cent of architects in the north of England expected workloads to decline over the next 12 months compared with just 10 per cent forecasting an increase in commissions.

In the Midlands and East Anglia, 46 per cent of architects expected orders to fall compared with 11 per cent forecasting an increase.

Architects in Scotland, however, remained relatively optimistic, with only a fifth expecting orders to fall during the next 12 months.

Cost claim for new drugs

By Clive Cookson

MORE expensive medicines often turn out to be cheaper to use when the overall costs and benefits of health care are taken into account, according to a report on the economic effects of drugs published today.

The Office of Health Economics, which is funded by the UK pharmaceutical industry, says that later generations of medicines are generally more expensive than the ones they replace but in many cases they generate savings in the overall costs of treatment because they act more quickly.

A typical example from the report is a Dutch study which estimates that using a new drug, simvastatin, to lower cholesterol levels in the blood of men prone to heart disease costs £9,500 a year of life saved, compared with £39,750 a year of life saved using the older and cheaper cholestyramine therapy.

Economic Impact of Medicines: OHE, 12 Whitehall, London SW1. £1.

Judicial inquiry into Lockerbie begins today

A JUDICIAL inquiry into the Lockerbie air disaster in which 270 people were killed will begin at Dumfries today.

Families of those killed by the bomb on board the USA-bound aircraft hope the public hearings in Dumfries will answer questions about alleged security lapses that may have made possible Britain's worst air disaster.

Lawyers for the relatives of victims will call for Mr Paul Channon, former Transport Secretary, and Mr James Jack, the Department of Transport's chief of aviation security, to give evidence.

The fatal accident inquiry, the Scottish equivalent of an inquest, is expected to last at least three months, and will be presided over by Sheriff Principal John Mowat, QC.

Lord Fraser of Carmyllie, the Scottish Lord Advocate, will lead evidence on behalf of the Crown.

Tenfold rise sought for renewable energy

By David Thomas, Resources Editor

A REVIEW of alternative energy sources such as wind and waste burning will be launched by the government next year to increase such sources of electricity tenfold by the end of the decade.

The Department of Energy has been criticised for playing down the potential role of non-polluting sources of electricity, but Mr Colin Moynihan, the new energy minister, intends to shift the priorities.

"In order to have a balanced energy programme, it is very important to place emphasis on renewables," said Mr Moynihan.

He was speaking before the final confirmation, expected this week from the Office of Electricity Regulation, the industry's regulator, of the first round of renewable projects to be supported by a special levy or subsidy. Details of the levy were contained in legislation to privatise the electricity industry.

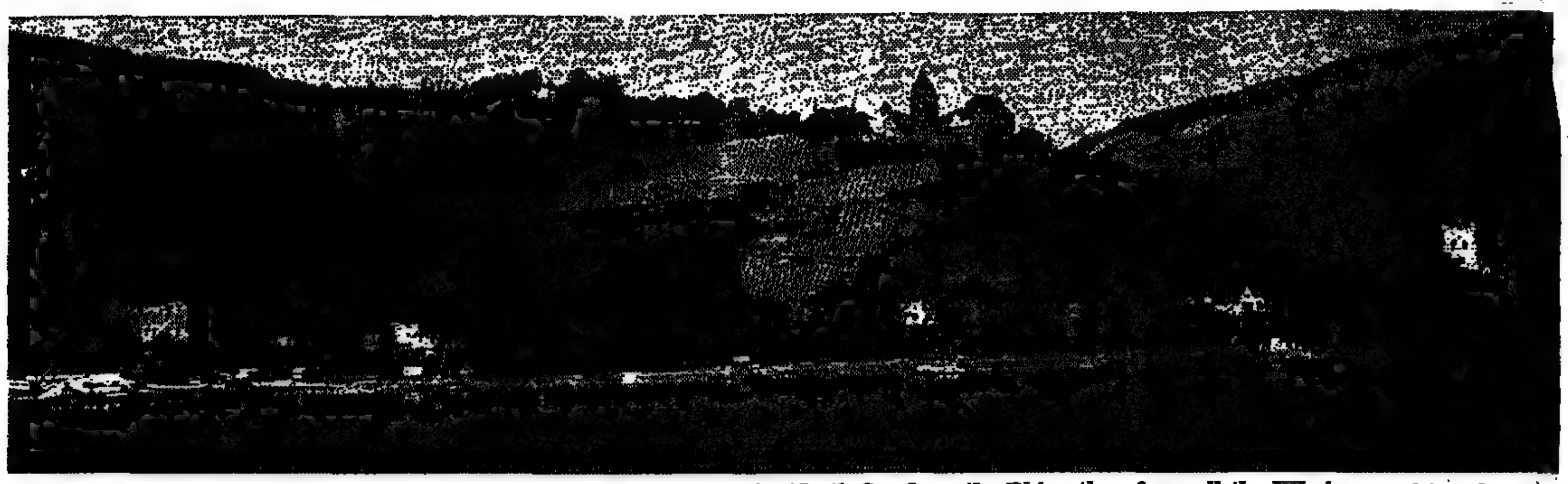
The government announced last month that 75 projects with a total output of 102MW – less than a single small conventional power station – would initially receive the levy.

However, Mr Moynihan dismissed suggestions that such as relatively modest total showed a lukewarm government attitude to renewables.

He said the government had a new target for 1,000MW of renewable capacity to be in place by the end of the century. Next year's review, which may involve ministers from other departments and outside experts, would consider how to deliver the target. Among the other initiatives disclosed by Mr Moynihan were:

- The government would shortly consider whether to streamline planning procedures in order to encourage renewables. "On the one hand, environmental organisations are saying: bring in more renewables. On the other hand, as soon as you get a project, they cry Nimby [not in my back yard]," Mr Moynihan said.
- The government may ask the European Commission for permission to extend the levy for renewables beyond 1998, the period for which Brussels has so far given permission. It may also try to disentangle the levy for renewables from the levy for nuclear power, with which it is at present linked.
- Regular tranches of support for renewables using the existing levy would probably be launched up to 1998.
- Government's research and development support for renewables was likely to be increased, but ministers would expect the private sector to fund more research for renewable technologies nearest the marketplace – electricity from landfill gas or using passive solar design techniques and hydro-electricity.

Mr Moynihan also reaffirmed the government's belief that renewable energy could account for 24 per cent of UK electricity generation by 2025.



Rhine out of favour: ministers claim that more pollutants pour into the North Sea from the Rhine than from all the UK rivers put together

War of words over a title no one wants

John Hunt delves into whether Britain has earned its title as 'dirty man of Europe'

THE WAR of words continued last night over accusations that the programme in the government's environmental white paper will not prevent Britain retaining the title of "dirty man of Europe".

The charge by Greenpeace, the environmental pressure group, last week provoked Mr Chris Patten, the environment secretary, into accusing Lord Melchett, its executive director, of "distortions, exaggerations and worse".

Last night Lord Melchett sent a letter to Mr Patten standing by the epithet and saying the government would continue to earn it until it changed the way it acted and spoke on the environment.

The slanging match demonstrates the explosive nature of the controversy. The furious debate comparing Britain's environmental record with other countries involves a minefield of statistics which are produced in bewildering profusion.

The truth is that Britain is as good if not better in some areas but worse in others. British ministers, irked by the "dirty man" label, point out that more pollutants pour into the North Sea from the Rhine than from all the UK rivers put together.

Britain is being hauled before the European Court over the dirty state of some of its beaches – but so are other EC countries.

The UK is also before the court over breaches of the EC drinking water directive because of excessive nitrates in the water in East Anglia. Yet Britain's water quality is probably comparable to most West European countries and better than Spain, Italy and Greece.

Not all environmentalists agree with the use of the "dirty man" label. Mr Tom Burke, director of the Green Alliance, an environmental umbrella organisation, says, "It is just too simple and crude to take some areas where our performance is poor – such as acid rain and North Sea pollution – and conclude that we are generally worse than anybody else."

He puts Britain ahead of any other European country in nature conservation and town and country planning.

There is no doubt that some clever semantics are used by the government to put a favourable gloss on its performance. Mr Patten told the House of Commons that no EC member had a better record than Britain in complying with environmental directives from the Brussels commission.

In fact, the commission's figures show that Britain, with 31 infringements of environmental law, is about halfway up the non-compliance league. It has fewer than Spain, Belgium, Greece, France and Italy, but more than West Germany, Denmark, Ireland, the Netherlands, Luxembourg and Portugal.

Even that does not give the full picture. In water and air quality, the UK has the highest number of infringements and was third from the top – along with West Germany and the Netherlands – in chemical pollution.

Britain's overall total appears considerably better because it had far the best record in observing nature conservation directives.

The government is also using some dubious statistics over plans to cut sulphur dioxide from power stations in order to reduce levels of acid rain. Britain has an EC target to reduce sulphur emissions by 60 per cent by 2003 – a smaller cut than other member countries have to make.

The electricity supply industry originally had a £2bn programme to achieve the target by fitting expensive sulphur-removing "scrubbers" to power stations. Because of privatisation the programme has been slashed by a third but the government says the cuts in sulphur emissions can still be achieved by importing low-sulphur coal.

"There is little doubt that we are in breach of the spirit of the EC agreement," says Fiona Weir, Friends of the Earth campaigner.

The biggest controversy is over emissions of carbon dioxide, which comes from fossil fuels such as coal, oil and gas and is the main contributor to global warming.

Britain says it will stabilise those emissions by 2005. Mrs Thatcher has described it as a demanding target involving a reduction of 30 per cent from the projected level of emissions that would be reached if no action were taken.

Mr Colin Hines, Greenpeace political campaigner, says that the figures are misleading and in reality Britain will continue "business as usual" in emitting greenhouse gases.

Greens make unfavourable comparisons with the bigger carbon dioxide cuts proposed by other European countries. West Germany proposes 25 per cent reductions by 2005, the Netherlands stabilisation by 1995 and 5 per cent by 2000. Italy supports in principle a 20 per cent cut by 2005 while Norway, Sweden, Austria and Switzerland aim to stabilise by 2000. Britain, however, argues that its own target is firmer and more achievable.

Greater energy saving is the main commitment in the white paper. But Mr Andrew Warren, of the Association for the Conservation of Energy, says there has been a big decline in UK investment in energy-saving materials – a 12 per cent reduction in 1988-89. The latest figures available show that spending on energy efficiency per head of population was $0.74 in Britain, $1.30 in France, $3.60 in Denmark and $4.89 in Japan.

EC ENVIRONMENT LAW INFRINGEMENTS

Country	Water	Air	Waste	Chemical	Noise	Nature Conservation	Total
Spain	12	2	10	4	–	29	57
Belgium	11	3	18	5	2	7	46
Greece	10	4	6	2	3	20	45
France	15	3	2	1	–	20	41
Italy	9	4	10	2	3	12	40
UK	16	5	3	3	–	4	31
West Germany	9	4	2	3	–	11	29
Netherlands	6	2	2	3	3	8	24
Ireland	7	2	3	2	–	7	21
Portugal	2	1	4	–	–	7	14
Luxembourg	5	2	2	–	1	2	12
Denmark	2	–	–	–	1	2	5

Source: EC Commission

US utility backs scrap tyre power generator

By Juliet Sychrave

TWO UK tyre manufacturers and a large US utility are backing the first UK-based project to generate electricity from scrap tyres.

A large UK company, thought to be one of the regional electricity boards being privatised in November, is also to invest in the £36m project in six to eight weeks' time.

The project, first announced by the UK subsidiary of Elm Energy and Recycling of the US in June, will start in Wolverhampton in 1992.

Nipsco Industries, an Indiana gas and electricity utility which had profits of $72m (£38.4m) last year, will make a sizeable investment – its first outside the US – through its subsidiary, Nipsco Development Company.

It believes the project, which also includes waste tyre supply contracts with Pirelli and Goodyear, will be profitable as well as environmentally sound.

Nipsco and the future UK investor will together provide a third of the total cost of the project in equity. The remaining £24m will be raised in the debt market. Four or five banks are already vying for the business, says Elm Energy managing director Mrs Anne Evans.

Sales of electricity from the project – which will supply 20,000 homes – will be partly subsidised by the government's renewable-energy promotion scheme, which extends to this type of project. Mrs Evans insists however that it is essentially a privately funded project. "I don't go in for government grants. We aren't using the full subsidy, and I'm very proud of that fact."

About 1.8m tonnes of tyres are stockpiled or landfilled in the UK. But Mr George Ruhl, director of corporate development at Nipsco Development, says recycling schemes can play only a limited role in the electricity industry. "Even if you burned every discarded tyre you wouldn't create a major component of the electricity needs of any country."

Elm Energy will burn around half the available waste tyres in the UK.

Garden festival budget optimism

THE National Garden Festival at Gateshead, Tyne and Wear, is expected to break even on its £37m budget, writes Ian Hamilton Fazey. The number of visitors is expected to exceed 3m, compared with a forecast of about 2m, before the event closes in three weeks.

Nearby attractions and museums have reported a 15 per cent rise in visitors. Many people are believed to have spent more than one day in north-east England.

The festival is Britain's fourth such event, after those in Liverpool, Stoke-on-Trent and Glasgow. It is staged on land reclaimed from a derelict coke, tar and gasworks.

About 1,000 temporary jobs were created and a concerted operation is under way to find permanent work for as many people as possible.

The site will be developed after the festival.

Russians buy used plant

By David Churchill

A UK company has sold a £250,000 pet-food processing and canning plant to the Soviet Union in what it hopes is the first of several deals to sell secondhand equipment for food manufacture in eastern Europe.

Holroyd Food Machinery, based near Bath, Avon, which sells used food-processing equipment, will complete the deal with the Soviet Union today.

"We believe there is a tremendous market for secondhand food-processing equipment in eastern Europe," said Mr John Holroyd, managing director. He added that the recession was forcing more high-quality, used food-processing machinery on to the market. The plant will initially produce 450,000 cans of pet food a week, some of which, it is hoped, will be exported back to the UK.

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MANAGEMENT

Exbud on the brink of privatisation

Realising a private dream

Christopher Bobinski, in the second of a series on East European companies with potential to exploit the new order, reports on a Polish construction company with an established entrepreneurial ethos

Exbud, a Polish construction export company, has always been rather special. And for that reason it is among the first in line for privatisation later this autumn.

The company, which is based in Kielce, 177km south of Warsaw, is the work of one man, Witold Zaraska. He set it up in 1978 with a borrowed Zl 1m as the export division of the local state sector building enterprise.

Now, little more than a decade later and still in state hands, Exbud employs 11,000, two thirds of them working abroad, and it is expecting exports alone to reach Zl 475.6bn ($51m) this year.

Exbud also reports healthy profits; in 1987 its profit margin on sales was 26 per cent and for the current year it is expecting a margin of around 17 per cent.

Zaraska, seated in his office at the top of Exbud's soon to be completed 14-storey modern International Co-operation Centre, is obviously a dreamer, excited about the prospects that going private will open up for him.

"This change in the economic system is like being in at the beginning of creation," he says, adding that he has "always felt the right instinct inside me."

Now 53 years old, Zaraska came to Kielce after working for Polish companies on East German construction sites. He used that experience to bring Exbud other contracts in that country as well as in Czechoslovakia, Hungary and the Soviet Union. Contracts in West Germany came later. Last year sales there were worth Dm 42m making the country Exbud's largest single market, though much of the earnings derive not from construction work but from the provision of wood felling services and from metal products assembly. Austria and Belgium complete the list of its western European markets.

Zaraska asserts that he is Exbud's main asset, a judgement with which accountants Coopers and Lybrand, retained by the company to value it for privatisation, concurs. He says

EASTERN PROMISE

Exbud has always been run as if it were a private company, thus implying that the switch to the private sector requires no major changes.

Professor Andrzej Kozminski, a management specialist, tends to agree. He says Exbud is capably managed. "They build fast and well and Zaraska always maintained the right balance between his export contracts and sites at home."

This is an important point as construction contracts abroad over the past 20 years have provided one of the few legal ways in which ordinary Poles could earn hard currency. Competition for jobs was fierce with much leeway for bribery and corruption.

Mariusz Walter of ITI, a Dublin-based trading company representing Hitachi and others in Poland, confirms Kozminski's view of Exbud saying: "They fulfil their commitments, arrive on time for appointments and the very atmosphere in their offices is different to normal Polish companies." Indeed, ITI wants to match this accolade by bidding to take up to 20 per cent of Exbud's equity when the company comes on the market.

Hitachi, Walter says, may take office space in Exbud's International Centre which hopes to attract some 50 foreign companies.

Zaraska dismisses the fact that Kielce is some distance from Warsaw as a threat to the centre's prospects. He has installed international telecommunications links which are more efficient than Warsaw's, rents will be lower and a small airfield near the city will have private air carriers ready to speed businessmen to the Polish capital.

As the centre's owner Exbud plans to provide business consulting services, an example of the diversification the company has already initiated by moving into food processing and building materials production – although earnings here are still marginal.

The International Centre is in a very real sense Zaraska's own monument to a decade during which he built Exbud within an economic and political framework which frowned on individual achievers.

It was only in the second half of the 1980s, and especially under Mieczyslaw Rakowski, a reformist and the last Communist prime minister, that Zaraska won open recognition. He became a government adviser, began to prepare Exbud for privatisation and agreed to stand for the Senate in Kielce in the 1989 election on the government ticket. He won 107,000 votes, or 26 per cent of the ballot, a fair result given the massive surge of support which Solidarity then enjoyed.

Zaraska explains that the basic drive behind building Exbud was always to win independence from his superiors. The bigger the company the greater his autonomy, while the bigger the profit the less danger that he would have to ask for subsidies.

The switch to the private sector is the logical conclusion to that drive. Coopers & Lybrand, after initially valuing the company at $16m-$27m, brought its estimate down to $8-17m. The final price, however, will be decided by Waldemar Kuczynski, the recently-appointed privatisation minister, as will the way the initial capital is to be sold. The figure now looks as though it will be about $9m.

Preliminary plans are to sell 20 per cent of the shares to the rank and file employees and around 15 per cent to a western company. Some shares will be offered on the open market and the rest will be sold to Zaraska and his top managers. The shares are likely to go on sale in the second half of November and the sale will be managed by PKO SA, a Polish state-owned bank.

The scheme in effect amounts to a management buy-out, financed in part by bank loans and Zaraska makes it clear that as a result of the privatisation he wants to have a deciding share of the company's equity.

Witold Zaraska: "This change in the economic system is like being in at the beginning of creation"

Should he encounter resistance from officials he has a strong argument in the Cooper and Lybrand report which stresses that his very person makes up a significant component of the company's value.

Zaraska's very dominance, however, marks one of Exbud's potential weaknesses. As it developed as small and then medium-sized company Zaraska's autocratic style tended to centralise almost everything in sight and sufficed as a management technique. As Exbud develops, though, an inability to divisionalise its operations could prove a drawback.

More immediate problems threaten in post Comecon markets which until now have seemed safe as houses and which this year should bring in 46 per cent of export revenues. Exbud has over 1,600 men working in East Germany, another 2,350 in Czechoslovakia and 1,000 in Hungary. As trade with each country switches to a hard currency basis next January Exbud's zloty earnings will grow; but the question will be whether customers will be able to afford the service.

The first article in this series appeared on September 26.

Christopher Lorenz examines why it is so hard for companies to bridge organisational boundaries

Teamwork is tricky

One of the most popular managerial leitmotifs of the last five years in Europe and the United States has been the need for much greater teamwork within organisations, especially between people in different functions.

Manufacturing companies, in particular, have become obsessed with the way that multi-disciplinary teams and task forces, of specialists drawn from marketing, production, design and engineering, can improve quality, cut costs, and slash the time it takes to bring new products and services to market.

Quite a number of manufacturers have trumpeted their teamworking achievements, especially since the concept of "simultaneous engineering" caught hold – in essence, this is the same as the long-standing Japanese approach of putting all relevant functional specialists together at the start of the process of developing a new product, and getting them to work in parallel rather than in sequence, as has been usual in the West.

The truth, it is now turning out, is that very few western companies of any size have actually yet operated in this way. Ford of Europe, which in 1985 announced the creation of a "program management" structure which many insiders and outsiders thought would operate as a set of fully-fledged teams, admitted quietly in the spring that it was only now launching cross-functional project teams, and that its initial experience was somewhat patchy.

JCB, the remarkably successful British construction equipment manufacturer, which has long been seen by outsiders as a model of how to develop new products by getting different specialists to work well together, has only adopted fully-fledged cross-functional teamwork in the last couple of years (the quality of the company's product development process since 1988 has helped win it this year's FT/London Business School Design Management Award (see today's International Design Survey).

One of the reasons for the widespread mismatch between perceptions and reality is that teamwork is seldom as effective as it seems on paper. At one large American electronics multinational production people had become much more fully involved in the development team than ever before, but were still taking orders from the design engineers.

Another problem is that the term "project team" is frequently used for teams of specialists from within just one function. At Digital Equipment the industrial designers, for instance, form project teams themselves but are still not always allowed to play a full role in the development teams which bring together people from different functions. (A precedent-creating recent case of where the designers have played a full role will be discussed by a senior Digital executive at a Financial Times conference this month on "product strategies for the 1990s".*)

Teamwork in Japan is its industry's 'cutting edge'

Digital's past development teams lacked discipline. Getting specialists of different kinds to work together effectively, even with a tight and motivating objective, is one of the hardest tricks in the management book – especially when it comes to bridging design engineers and production people. Professor Chris Voss of the London Business School suggests it is no coincidence that Japanese companies are reluctant to explain how they link these two functions. "They won't tell us about it because it's the cutting edge," he says.

The Japanese habit of rotating trainee managers and specialists through several functions in turn, whatever their ultimate destination, helps overcome departmental barriers. So does the way most top Japanese managers energise employees towards a common goal.

The lack of such integrating mechanisms, and the persistence of rigid professional barriers between many types of specialist, still tend to plague most western companies.

A further problem has been the difficulty of sharing information fully and fast enough between specialists with different technical languages, and often in different physical locations. This barrier, at least, is now coming down with the creation of all sorts of on-line information technology networks.

A measure of what is now possible – given the right organisational revolution to underpin it – was revealed in London last week at a conference on the main research findings of a five-year study by the Massachusetts Institute of Technology into the organisational and IT dimensions of "management in the 1990s".

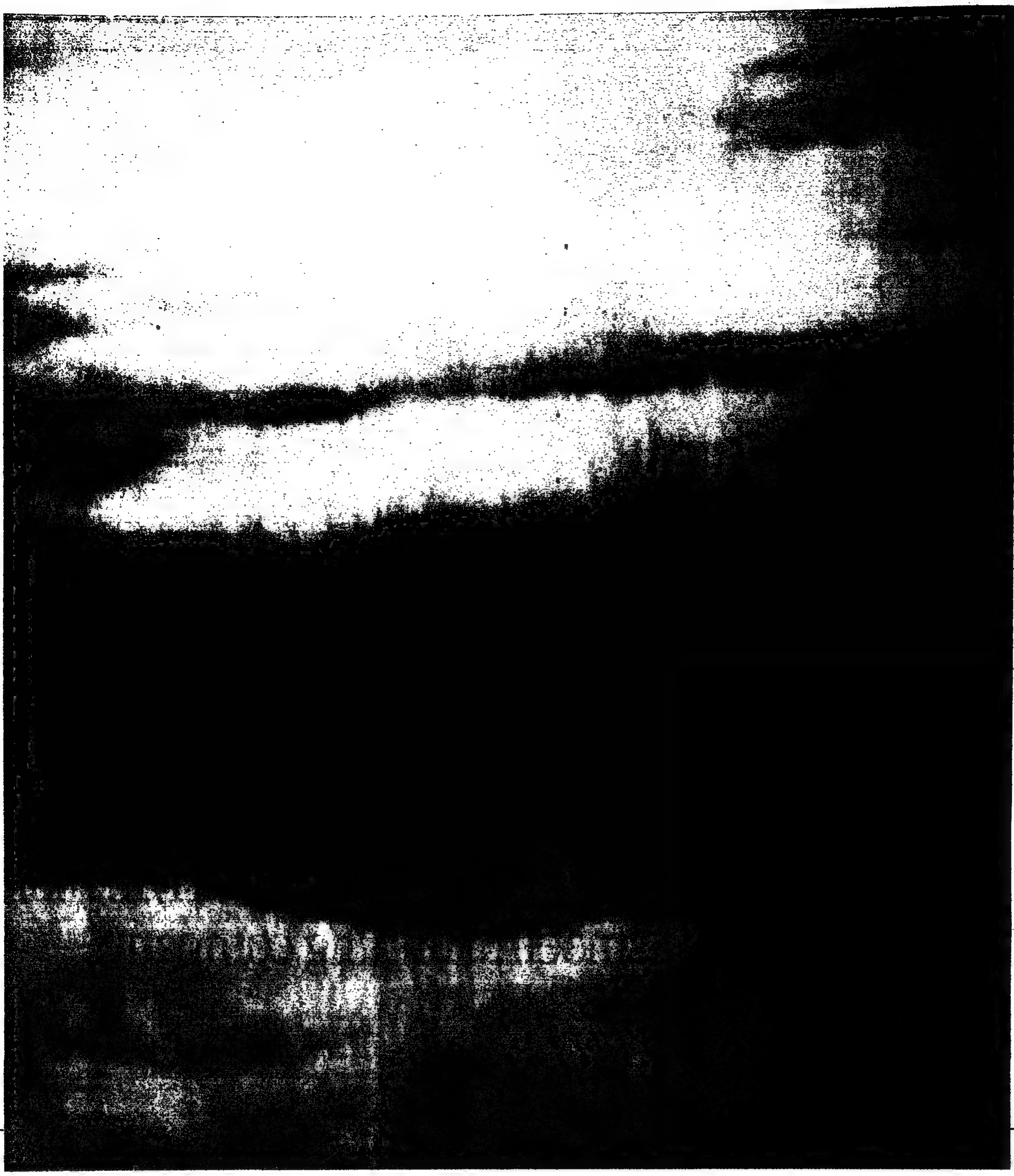
One of the study's main findings is that the ability electronically to connect people and tasks within companies (and also between them) is making organisational boundaries more permeable. It cites the example of Xerox, among other corporations, which has connected design, engineering, and manufacturing personnel within its system of local area networks to help create teams focusing on individual products.

Even if new information technology is not always necessary to create effective teamworking in relatively straightforward situations – several cross-disciplinary teams at Digital communicate between the US and Taiwan mainly by fax and phone – it can certainly be an effective "enabler", to use the MIT jargon.

When it comes to enabling co-ordination to be carried out across various functions in an organisation which, though complex geographically and in other respects, has been "de-layered" to remove much of its previous bureaucracy, new IT networks become downright vital. Without them, it is especially hard to bring together multiple skills in the ad hoc teams which companies are using increasingly to cope with rapid change.

But, as the report reiterates in its own leitmotif, none of this IT potential is realisable unless the organisation can first unfreeze its established attitudes, structures, habits and departmental sensitivities.

* *October 15-16. Intercontinental Hotel, London.*



We're now pumping water from 93 million miles away.

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For all our tomorrows.

CONSTRUCTION CONTRACTS

Kensington office block

MOWLEM BUILDING has won contracts in the south east totalling £6.5m. Work has started on the largest, worth £4.25m. Mowlem will demolish an old warehouse in Kensington Square, London W8, and construct a three-storey, air-conditioned, office block for Hulton Estates, the wholly-owned subsidiary of Ossory Estates. The development will provide 28,500 sq ft of office space, and features landscaped patio and open basement areas.

Contiguous bored piling will be installed along the northern boundary and temporary works will support the walls and foundations of surrounding buildings. Adjoining flats will be refurbished.

Other contracts placed include a single-storey administration block for DTC Research Laboratory, Maidenhead, worth £1.4m; and refurbishment of 140-142 in Wandsworth High Street for Maple Oak.

Wandsworth City Technology College

Converting a London school into a new city technology college is included in contracts worth about £14m awarded to **TARMAC CONSTRUCTION.**

Tarmac Management has a £4.2m contract from Wandsworth City Technology Trust, sponsored by ADT, to carry out the project at the Mayfield School, formerly a girls' secondary school, in West Hill, Wandsworth. It involves removing external cladding on the building, dating from the mid-1950s, and installing services and fittings.

Tarmac Refurb has a £1.3m contract for designing, altering and refurbishing three residential homes for Birmingham City Council in College Road, Kingstanding; Parkhill Drive, Hampstead; and Camden Street, Ladywood.

Other Tarmac Construction projects include upgrading and extending wards at Fairfield Hospital, Bury, for Bury Health Authority (£803,000); fitting-out a new department store at Burton-on-Trent, for James Beattie (£637,000); designing and building factory units at Bromborough, Wirral, for English Industrial Estates Corporation (£608,000) and an industrial unit at Sunderland, for Kigass (£608,000).

The contract housing division has a number of contracts. They are for refurbishing homes at Chell Heath, for Stoke-on-Trent City Council (£1.4m); building flats and bungalows at Salford, for Manchester Methodist Housing Association (£990,000) and replacing windows in homes at Bridgeton, for Glasgow District Council (£515,000).

Try Group companies win £21m orders

Orders worth £21m have been awarded to **TRY GROUP** companies ranging from extensions at a Japanese school to a long-term maintenance contract for the Metropolitan Police.

Teikyo School for Japanese children was formerly the headquarters of the Cement and Concrete Association. Try is to build an indoor swimming pool and student accommodation costing £3.5m.

Work in London includes a craft, design and technology building at the City of London School in Queen Victoria Street, EC4, for the Corporation of London.

At Westair House, Marylebone Road, Try will carry out a £1.43m fitting out contract for International Distillers and Vintners, part of Grand Metropolitan. At Tower Bridge Business Park Try will convert a derelict warehouse into six business units in 36 weeks at £1.32m.

Try has recently added to its list of term contracts. Largest of the these awards is £2.4m over three years for the Metropolitan Police. The PSA has signed a series of term contracts including £1m over three years in the Exeter and Torbay area, and £700,000 at St. Mawgan in Cornwall.

Midland office developments

Arlington Property Developments has awarded **R M DOUGLAS** Construction a £14m package for office developments in Northants and the West Midlands.

Work has started on a £6.5m contract at Kettering Venture Park for European headquarters for RCI Europe, an American timeshare exchange company. The complex comprises a four-storey, concrete-framed building which will provide 66,000 sq ft of air-conditioned office accommodation.

Douglas has also won two contracts for the design and build of nine two-storey office blocks, with a total floorspace of 90,000 sq ft on Arlington's Birmingham Business Park.

IN BRIEF . . .

TAYLOR WOODROW has two contracts, together worth £15m, in Scotland for an office development, and a hotel project in Brighton. The first, at more than £9m, is for a seven-storey office block at Cadogan Street, Glasgow, for Taylor Clark (Scotland), for completion in mid-1992. The second is for a 140-bedroom hotel at West Street, Brighton, for the Oak Group, valued at about £6m, with completion scheduled for mid-1991.

* * *

A multi-million pound sports and leisure complex is to be built at Stoke Park, Guildford for Guildford Borough Council by **SUNLEY PROJECTS**. Work starts this month with completion scheduled for October 1992.

* * *

HALL & TAWSE GROUP, construction division of Raine Industries, has won contracts worth £14m, including at Shaw Place in Elgin, refurbishment of public housing; Phase 1 of a joint venture housing project in Kilmarnock, part of a project between Scottish Homes and the contractor; and project work for Craigendarroch at Cameron Park in Loch Lomond. Restoration of Cameron House into a new hotel and leisure complex for Craigendarroch, at a cost of £5.5m, is nearing completion. Hall & Tawse also continues fitting out office blocks and providing housing in combined contracts worth £3m, for Bredero Project at the newly-opened Bon Accord Centre.

* * *

Reconstruction and strengthening of the Wardley Hall Bridge on the M62 near Worsley has been won by **EDMUND NUTTALL**. The £2.3m maintenance project for the Department of Transport is scheduled to last about 15 months. The motorway will remain open during the work.

* * *

SHORELINE ENGINEERING has won a £680,000 contract from Thanet District Council for stabilisation of the 200 year-old East Pier at Ramsgate Harbour.The work involves drilling and pressure grouting the 10 metre-deep heart of the pier and underwater sealing of the walls. Public access to the pier will be maintained throughout the contract.

* * *

BEAZER CONSTRUCTION has been awarded a £2.8m contract for internal refurbishment at King Edward VII Hospital for Officers in Beaumont Street, London. Completion is scheduled for November 1991.

* * *

LINFORD GROUP, Cannock, has won contracts totalling £8m for developments in Stoke-on-trent, Birmingham and London. The largest is a £4m plus award from the City of Stoke-on-Trent for a leisure centre between Burslem and Tunstall.

* * *

A £12m order to build a 60,000 sq ft radiotherapy centre at Maidstone District General Hospital has been awarded to **MOWLEM MANAGEMENT** by South East Thames Regional Health Authority. The project includes a two-storey 48-bed nursing unit linked to the main hospital. Work starts this month for completion in October 1992.

* * *

Management contracts totalling £22.5m have been won by **BOVIS CONSTRUCTION**, a P&O company, to build, refurbish and fit out five stores for Marks and Spencer in west London, Leeds, Tunbridge Wells, Gillingham, and Watford.

LEGAL COLUMN

Lawyers fail to win resolution on use of home or host rules

By Pratap Chaterjee

AT ITS annual meeting in New York last week, the general council of the International Bar Association (IBA) rejected a proposed code of conduct for lawyers working for short periods in foreign countries, and referred it back to committee for further study.

The rules, which had been drawn up by Mr Bela Szathmary, a New York attorney, suggested that lawyers should abide by the rules of the country they were working in.

If the rules conflicted with those of their home country, it would be the responsibility of the visiting lawyer to sort out the differences.

According to Mr Roger Goebel, a professor of law at New York's Fordham University, however, that would have violated the principles that US and European bars require their lawyers to follow.

When outside their country, European lawyers are at present required to follow their own home rules in non-contentious cases.

Cases involving litigation, which foreign lawyers rarely handle, are subject to the code of conduct of the jurisdiction in which the case is being handled.

In the US, lawyers are required to follow the rules of their home bar (US lawyers qualify at a state bar rather than at a single federal bar).

If the rules do not correspond to those of the host country, the principles that attach to the conflict of laws between nations should be applied.

The home country rules that apply to lawyers practising outside the jurisdiction are clearly only one side of the coin.

On the other, the rules of the host country may require foreign lawyers to follow their rules and pay no attention to the home rules of the lawyer concerned.

That could present an irreconcilable conflict, or otherwise it may impose certain restrictions on the lawyer.

The most extreme restriction against foreign lawyers is a total ban. That applies in some countries, such as Singapore, and is impossible to alter unless the country in question agrees to change its rules – for example, under the proposals to liberalise service markets, which are at present under discussion in the Uruguay Round of the General Agreement on Tariffs and Trade.

Most countries are not quite so strict, but they do have barriers to foreign lawyers that can make it quite difficult for the foreign lawyer to advise on the laws of his or her own country, let alone those of any other country.

For example, non-European Community lawyers do not enjoy lawyer-client privilege in the EC, so correspondence between a US lawyer and his client is not considered confidential. Similarly, companies' own lawyers are not covered by privilege under EC law.

According to Mr Ronald Cowles, of London solicitors Norton Rose, that means that documents passed on by company management to their own or to non-EC lawyers may be requisitioned by an EC court.

In certain EC countries, such as Belgium and Luxembourg, and in non-EC countries such as Austria, Finland and Sweden, companies' lawyers cannot become members of the local bar.

By contrast, in, for example, the UK, companies' own lawyers have virtually full professional rights and therefore they feel the EC is discriminating against them.

French company lawyers also recently gained the right to apply for professional status while German company lawyers can get professional status if they have private clients in addition to their main employer.

Other countries in which company lawyers enjoy full bar privileges include Denmark, Greece, Iceland, Ireland, Norway, Portugal and Spain.

Apart from the fact that foreign lawyers do not always enjoy the same rights as local bar members, they often do not enjoy the advantages of their home disciplinary rules either.

In the US, for example, lawyers are allowed to accept "no win, no pay" contingency fee arrangements.

European bars consider that unprofessional and would not allow a foreign lawyer to fight a case on European soil on those terms.

Nor would they generally allow a US lawyer to advertise in their country, although the practice is perfectly legal in the US.

While lawyers face restrictions if they practise from time to time in a foreign country, they have different advantages and disadvantages if they move to a foreign country permanently.

Rules of "establishment" that apply to lawyers setting up on a permanent basis in a foreign country, are at present under consideration in the EC and will be taken up next month in Basle by the Consultative Committee of the Bars of the European Communities (CCBE).

In the single European market, professionals from EC

It may be more useful to devise some means of settling disagreements by arbitration

countries will be allowed to move freely within the Community to practise their trade. Obviously, as law practice differs from country to country, the CCBE wants to allow EC countries to set minimum rules for establishment.

The options under consideration are either a test, which may not be as rigorous as a full bar examination, or an adaptation period that cannot exceed three years. But those rules will not apply to non-EC firms.

Already the US has fairly liberal rules on allowing foreign lawyers to practise within its shores.

First, US citizenship is not a requirement in order to study for, and qualify as, a US attorney, unlike rules in some EC countries.

In addition, foreign lawyers with non-US qualifications are not only allowed to advise on their home country laws but may also become consultants to US firms.

New York-based Chadbourne & Parke has two Soviet lawyers working in its offices, for example, and Chicago-based Baker & McKenzie, the largest law firm in the world, employs many foreign consultants.

In most countries, foreign legal consultants are normally restricted to practising the law of their home country or international law.

They may also be expected to have a certain number of years of experience of working in their home jurisdiction – the New York and Japanese bars require five years' experience, for example.

Countries may also put a ceiling on the total number of foreign law firms, as in the case of Hong Kong.

Many US states allow foreign lawyers to practise local law as long as they pass state bar examinations (although some also require a certain amount of education at a US college).

The rules of conduct for such lawyers are generally accepted to be those of the host country – although they would want to make sure they did not breach the rules of their native bar.

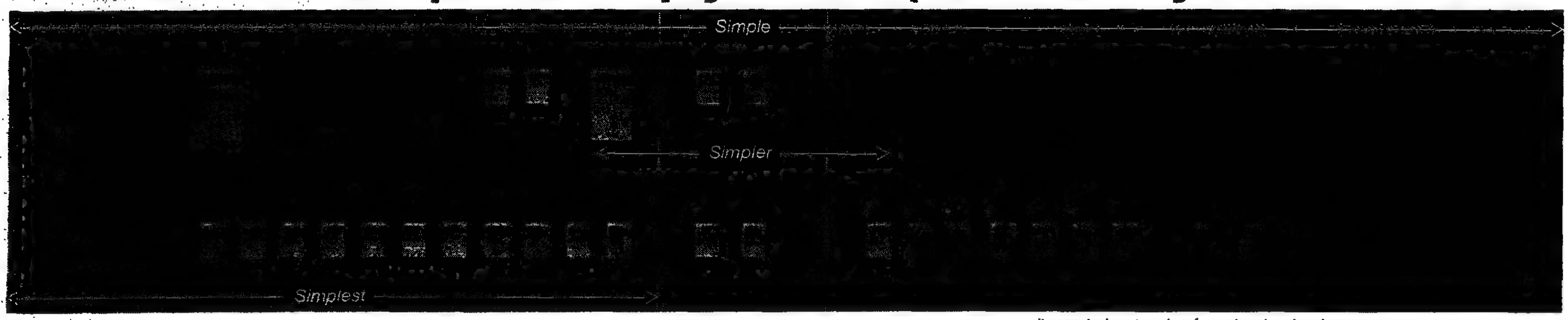
Many US states will waive the rules of conduct for a lawyer practising abroad, if an application is made.

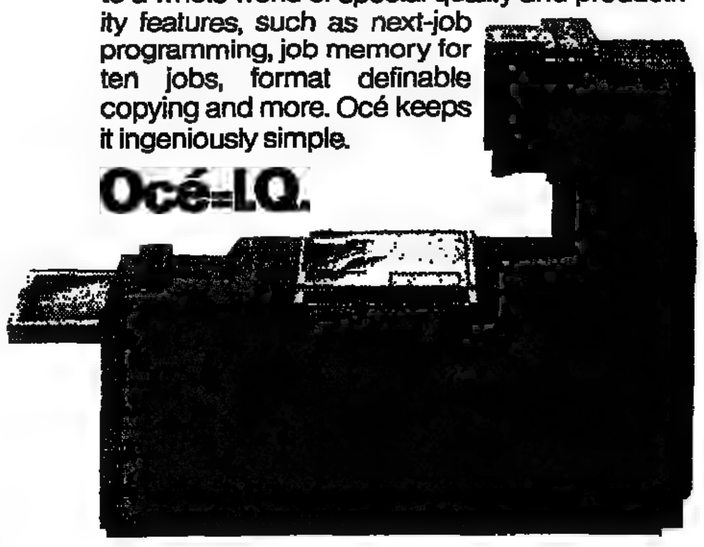
As law firms become more international, and as common economic spaces, such as the EC, become more widespread, the conflicts between different professional codes of conduct are bound to increase even more.

The *IBA's* proposed rules came under fire and will certainly continue to do so because it will be impossible to get every country to agree to apply either home or host rules.

It would probably be more useful for the IBA to devise some means of settling disagreements either by conciliation or arbitration where such conflicts of law arise.

The author is a freelance journalist based in New York.





Joan Appleton... An outdoor girl looking forward to more commuting comfort.

Every year, Joan Appleton spends three weeks underground.

As a sales attendant at a world famous West End store, Joan Appleton depends on London Underground to get her to and from work. She has to be there at nine o'clock sharp each morning. Six days a week.

It's almost an hour from her home in Epping, 40 kilometres north-east. In a year, that makes over three weeks of travel time. "That's life in this part of the world," she shrugs. "I'm basically an outdoor girl. I love fresh air and open spaces. But if I have to spend that much time underground, I'd like it to be as comfortable as possible."

As much as comfort, she and her fellow passengers also appreciate punctuality: trains that run on time and don't get stuck somewhere along the line. Which, as Joan will tell you, hasn't always been the case. Europe's largest urban population is served by the world's oldest metro system, and it sometimes shows.

But that's changing. In a major renewal programme, ABB traction technology is being applied in a project led by BREL Limited, ABB's UK associate, to supply 680 cars to London Underground's busy Central Line, enabling faster and smoother operation.

The result will be greater comfort, security and better service for London commuters. And Joan Appleton's underground quality of life will show a marked improvement.

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ARCHITECTURE

In praise of English virtues

What world is conjured up by the words The Orchard, Chorley Wood? Immediately a safe and comfortable English domestic scene comes to the mind's eye. It is not a remote world, but one of gabled houses in leafy lanes, quiet and private; open windows and blowing chintz.

The Orchard was the name given by the architect C.A. Voysey to the house he built for his family in 1899. His name has since then become synonymous with the kind of suburban house that has spread all over England – and indeed represents the domestic ideal for many people. But at the turn of the century Voysey's designs were seen as a much needed reaction to overblown Victoriana and gothic gloom – a simplification of style and planning that made the English house something of a pioneer for the 20th century.

The Royal Institute of British Architects is the fortunate possessor of a large collection of Voysey's drawings, probably one of the best of any arts and crafts architect. It was an imaginative idea to show (at the Heinz Gallery, Portman Square, London, W1 until October 27) a selection of those drawings devoted to Voysey's work as a decorative designer of textiles, carpets and wallpapers. They are as strong and poignant examples of his domestic inspiration as any of his houses. The exhibition is accompanied not by a catalogue, but by a new book, *The Decorative Designs of C.F.A. Voysey*, by Stuart Durant (The Lutterworth Press, Cambridge, £12.95). Durant is an expert on the whole subject of decoration and ornament and this well-produced book of cheerful designs seems to demonstrate Voysey's maxim, "Let every bit of ornament speak to us of bright and healthy thought."

Often Voysey is criticised for the almost childlike innocence of his designs. He did like birds and flowers, and almost adopted linked and crowned hearts as his personal symbol. We may be less sentimental now (but I doubt it) and the clarity and order of his design adds an edge beyond the realism. Certainly the beautifully mounted RIBA exhibition emphasises what a good designer he was.

But it would give the wrong impression to say that Voysey was all innocence. Look at the design for a wallpaper called "The Demon", where rampant devils rise out of the flames. There is an equally sinister wallpaper showing writhing underwater snakes, not particularly comforting for a tiny child. But who would not be made happy by the carpet on show at the Heinz Gallery? It is known as "The River Rug" and depicts a river running through a landscape of fields and cottages, all with their inhabitants and livestock on view. Voysey intended that this rug design should be sold to amateur rug makers: perhaps Messrs Readicut would like to revive it; crafts always revive in a recession and although demanding, it would be a rewarding task for anyone with nimble fingers.

★

THE REVIVAL of quiet English virtues seems to be in the ascendant at the moment: at the Architectural Association, Bedford Square, London, WC1 there is an exhibition of the work of a great architectural photographer, Eric de Maré. Photography has a lot to answer for when it comes to architectural propaganda, since architectural ideas are largely spread by photography in magazines, and by lantern slides at colleges. Eric de Maré worked at *The Architectural Press* in the 1940s as a journalist and gradually took up photography for the *Architectural Review*, and his own books, from the '40s to the '70s. He is the expert when it comes to black and white, and his pictures in their silver frames at the AA look masterly. He struggled with the difficulties of realising the spatial dimension of architecture while working in a two dimensional medium. Buildings, in fact, offer to photographers the basis of strong structural compositions.

Eric de Maré took up several important themes in his work. He began (with Barbara Jones and Hubert de Cronin Hastings) the recording of British canals, barges, and the ephemera of the waterside world. In the *Architectural Review* all those decorated canal boats were published alongside the recording of the rise of the Modern Movement. With J.M. Richards, he recorded another lesser known area of British architecture which was to become very influential: industrial architecture in the "functional tradition". Warehouses, bridges and viaducts were all superbly recorded. He also had a special connection with Scandinavia, and in the '40s and '50s brought to the pages of the *Architectural Review* the influential visual images of the contemporary Scandinavian style.

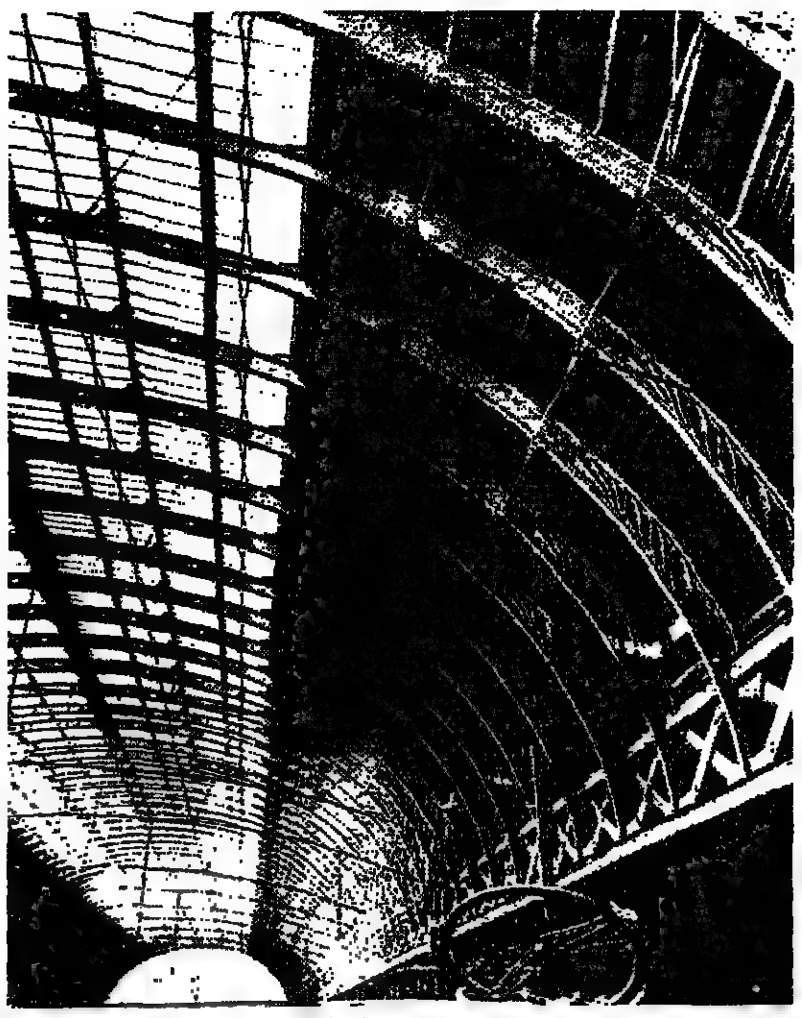
I find Eric de Maré interesting as much for the beauty of his work as for what lies behind it. Photographers act, like Mercury, as messengers for the architectural gods. De Maré did not just record what was happening. He concentrated on showing us things about areas of building that we had not noticed. Of course now we think that warehouses and markets are important, but it was his visual propaganda that helped us all to look beyond the masterpieces.

★

RICHARD BRYANT is one of the best younger photographers working in the architectural field today. He has recorded masterpieces, and with a precision and delicacy that often enhances them. Every architect longs for his work to be recorded by Bryant. He is showing *Architecture in Detail* at the main RIBA building at 66, Portman Place, London, W1 for the next two weeks. His compositions have a regularity that responds to technical perfection; how different his work is from the exploring eye of Eric de Maré. He inclines almost to abstraction while enjoying the newer medium of the vivid palette of colour photography.

Looking at the work of Bryant raises the question of the importance of the photographer. So many new buildings look as though they have been designed for the camera of Mr Bryant. It is no coincidence that he, like de Maré before him, trained first of all as an architect. Now they both design and have much more influence with the camera.

Colin Amery



Paddington Station, by Eric de Maré

How Tickled I Am

LONDON PALLADIUM

Ken Dodd takes a long time to warm up. He knows that himself and tries to make a virtue of it. Or rather his act depends on warming up the audience. Sometimes that takes longer than other times.

At the London Palladium on Thursday, he was plainly set for the long haul. At one stage he threatened the audience with 7½ hours. The show began at 7pm. I left to write this notice just after 10pm, by which time he had more than won the audience round.

Mr Dodd is back in London after a spot of trouble with the Inland Revenue. He is not shy of talking about it: "It's an illusion – like the poll tax. Just ignore it. I'll see you in court." Then: "I'm exempt. I paid it last year." He has not much changed: wild eyes, big teeth, demonic energy.

He is full of jokes, new and old, like the one about the dyslexic postman: "He's just spent miserable fortnight on holiday in a warehouse in Texas." He is also conscious of being in London. "Sex," he says. "It's what the posh people of Mayfair have their coal delivered in."

There is a certain topicality: well, at least references to 1990. On the World Cup, for example: "Our football hooligans behaved very well; many of them took their own bricks with them."

He is up with the changes in the health service: "I went to the doctor's the other day. Nothing wrong with me. Just to see that my name hadn't been crossed off."

Yet I wonder if London is the right place for him. Mr Dodd seems to sense this himself, once deliberately mistaking Watford and Warsaw. Another time he asks a member of the audience: "Are you from the planet Watford?" It is the Watford gap that gets in the way.

Mr Dodd's act depends on audience participation, the more of it the better. "Is there anyone here from Yorkshire?" he will ask. "Anyone here from Lancashire?" On Thursday night, when a sprinkling of the audience was clearly planted, there was some response. But what you can't ask is whether there is anyone here from London, because London is too big and too mixed to have any corporate identity. Also I suspect that a London audience is too inhibited nowadays easily to go in for this sort of thing.

Still, Mr Dodd has a long shot at winning them round. In the end he succeeds by falling back on the jokes, the songs and the indefatigable spirit of the trouper.

North of Watford, he must know the country very well. Some of his best lines are local: "Widnes, the only place in Britain where they grow brown daffodils ... Sellafield, where the tom cats light up at night." In Glasgow, the cultural city of Europe, he says that they no longer have street fights, but "pavement debates".

If I had seen this show in Blackpool, it would have seemed much funnier. Indeed it would have been much funnier because of the audience.

There is also a creditable tap dancing act by the Williams Brothers, as well as an electronic conjuring show by Omar Pasha, but Mr Dodd does not leave much room for any of them.

Malcolm Rutherford

Tatyana Nikolayeva

WIGMORE HALL

Born in 1924, Tatyana Nikolayeva belongs to that precious generation of Soviet pianists that also included Richter and Gilels, and she has acquired a formidable reputation as a teacher at the Moscow Conservatory.

Her repertory is reputed to be vast and wide ranging; she is the dedicatee of Shostakovich's 24 Preludes and Fugues. Yet her few recent appearances in Britain have been almost exclusively devoted to Bach, and on Saturday her Wigmore Hall recital consisted of just a single work, *The Art of Fugue*, selected to celebrate the 40th anniversary of her victory in the Leipzig International Piano Competition.

Perhaps the austerity of the programme as much as the relative unfamiliarity of the name reduced the size of the audience. But those that heard Nikolayeva's playing are unlikely to forget it quickly, and will be the first in the queue for her return next February, when she is the artistic director for a festival at the Wigmore Hall of Shostakovich's chamber music which will include her own performance of the Preludes and Fugues.

The Art of Fugue was played entirely from memory, an astonishing feat in itself; there was a brief passage in the *inversus* of the second mirror fugue when her control appeared to weaken and a few bars became wayward, but for the rest, her command and sweep were glorious, the intellectual rigour and emotional intensity beautifully matched. She played the Contrapuncti in an uncontroversial order, interpolating the four canons into the sequence, and offering no faked completion of the final fugue; the presentation of the most arcane constructions was limpid, uncontrived, compelling.

Though Nikolayeva's playing of Bach now has a sovereign assurance, the vivid sense of a lifetime's contemplation and performance, it is in no way an aloof, ascetic affair.

Behind the effortlessly puried phrases, the changes of tone colour, the tight-sprung rhythms and sometimes grand rubatos is a passionate desire to communicate.

The vivid strength of her architectural grip came to the fore in the broad sweeps of the three-subject fugues of Contrapuncti 8 and 11, in which the audience's concentration was never given a chance to falter, and most majestically in the final *Fuga a 3 soggetti*, begun uninflected in austere keyboard greys, and progressively acquiring warmth and vitality – a sharply accented phrase here, a sudden quickening of the tempo there – until the whole piece was transformed, and had acquired an organic independence that was utterly distinct and convincing.

Andrew Clements

The Pogues

CORN EXCHANGE, CAMBRIDGE

Seven-eighths of The Pogues are a lively, excellent Irish band, proudly brandishing their roots in a parade of tight, manic dances and the occasional winsome ballad. It is the other eighth, Shane MacGowan, who transforms them into one of the most distinct and disturbing forces in contemporary rock.

MacGowan is their shambling black hole, who radiates no reassuring light at all; he has chosen his own drink-damned route to perdition and is going to sing about it all the way down. It makes a terrifying spectacle, a voyage of self-destruction with not a hint of redemption, made all the more terrible by the rare power and imagination of his songs.

At Cambridge on Friday MacGowan appeared wearing an eyepatch, with a bottle in one hand and a fistful of cigarettes in the other, clinging to the mike stand. His few audience asides were incoherent (without the luxury of surtitles, the tin-whistle player Spider Stacy paraphrased), his singing the growled, closing-time rant which creases and smudges the beautifully poised surfaces of all his melodies.

It is marvellously, terribly effective. Periodically he would disappear for a refill, go for a walkabout, or sit staring into space while the rest of the band attempted to restore a semblance of normality, waiting for the next season in hell.

There is a new album about, for which MacGowan takes the main share of the song-writing after his back seat on its predecessor. There's nothing to suggest that the recent songs are any less caustic or intense, quite the opposite – no one will be fooled by the blithe titles of "The Sunnier Side of the Street", and "Yeah, Yeah, Yeah", which might be a simple piece of sexual hymnody from another band, but from The Pogues becomes an aggressive chant, a remorseless, pleasure-free zone.

One wonders about the audience, though. Predominantly male and the other side of 25, they appear to regard MacGowan as a kind of champion, the role model who has given two fingers to the world and still lives (just about) to tell the tale and salute them with his empty bottles.

The cheers that greeted the reeling introductions to "Cottonfields" or "White City" (no "Birmingham Six" this time), or the sea of bobbing heads through "The Irish Rover" were no celebrations of youthful exuberance; MacGowan touches something altogether deeper and more desperate, and trawls from way down there the most enduring images.

Andrew Clements

SPONSORSHIP

The going gets tougher

Arts sponsorship can hardly avoid the coming recession. When companies worry about finding the cash to pay the wages they cannot contemplate funding a new opera, or entertaining guests at the ballet. Sponsorship did not suffer in the recession of ten years ago because it was then a small insignificant cost. Now, as a £30m-plus a year industry, there could be some fallout.

It is already happening. Two sponsors, both members of the Association of Business Sponsorship of the Arts, (ABSA), British & Commonwealth and Coloroll, have gone out of business. B&C was a major sponsor of music on the South Bank, and Coloroll helped the Whitworth Gallery in Manchester. This aid abruptly ceased, and the South Bank is desperately seeking a new sponsor to take up B&C's £150,000 commitment to its 1991 Mozart celebrations. The property sector has also been active in sponsorship, but now some property companies are actually resigning from ABSA to save tiny sums of money.

But it is not all gloom and despondency. The companies that promoted themselves, and their brands, most actively during the last recession survived the best and this lesson may have been digested. There are still many potential sponsors, especially among the newly-privatised companies. PowerGen and National Power have already become involved in sponsoring the arts.

In addition the arts world is managing to promote its green credentials through its contribution to improving the environment in the inner cities. And then there is 1992 and the need for companies, both British and continental, to display their internationalism. The arts are the perfect vehicle.

Topping it all up will be the Japanese, who have become significant sponsors in the UK in their drive to be locally accepted. Arts organisations like the LSO now obtain half their sponsorship support from Japanese companies. The Japan Festival, to be held in the UK in 1991, is on target to raise the initial £1.8m it needs to finance the ambitious £12m plus Festival, which is built around exhibitions at the V & A and the Science Museum.

The Midland Group has put up £300,000 and donations of £50,000 have come from British companies like the 3i Group, BP, United Biscuits, NatWest, Maxwell, and Rothschild. With a sponsorship target from the UK of £8m the Japan Festival still has a long way to go.

★

GIFT AID starts today. It is hard to detect any popular excitement, but the more wide-awake arts organisations are publicising the fact among their fans that in future donations to charities, ranging from £600 to £5m, earn tax relief both for giver and recipient. Most arts organisations are charities; the trouble is that they have to compete for gifts with even more deserving charities.

But with corporate sponsorship likely to be harder to come by in 1991, the private patron is well worth chasing. English National Opera has persuaded one of its more prominent board members, Melvyn Bragg, to set the ball rolling as its first Gift Aider (his gift is thought to be nearer £600 than £5m) and aims to raise £100,000 a year in this way.

Its task would be made much easier if it could find a sponsor for PASS, its planned computerised box office which incorporates a patron data base. Unlike Covent Garden and the National Theatre, the ENO box office is not computerised. It believes that once it has installed PASS, which is already working wonders in the Lincoln Centre, New York, it will have the necessary information about its customers to make them Gift Aiders.

If any company, computer or otherwise, would like to provide the £250,000 needed for the software, its name will be blazoned for ever on 500,000 ENO tickets a year, plus other sponsorship benefits.

So far this season the ENO is in danger of losing only one sponsor as a result of the recession: 17 of its 20 productions look safely signed up and £1.3m committed towards a sponsorship target of £1.58m (as against the £1.1m achieved last year). ENO goes for smallish sums: it will accept £30,000, which enters a general pot rather than being linked to funding a specific production.

As commercial sponsors become more elusive it is hoping its audience will fund a production: Shostakovich's *Lady Macbeth of Mtsensk*. A £100 ticket buys a CD, and a poster, as well as the glow of making the opera happen.

★

ONE COMPANY which plans a commitment to arts sponsorship is Texaco. In the US its support for the Metropolitan Opera, through its Saturday national radio broadcasts, stretches back over half a century, but in the UK its commitment has been limited.

That is all changing. Last week it announced the first of a series of arts sponsorships. It is bringing leading regional orchestras to play at the South Bank throughout the season under the Texaco Star Concerts series, starting on October 11. It will shortly announce a touring arts exhibition and a ground-breaking link with the London City Ballet company. It is all part of a profile raising campaign, with no fixed limit, apart from prudence, on the size of the sponsorship budget. The aim is to make arts events possible and to involve Texaco operations throughout the UK.

★

THE Photographers Gallery has come up with an imaginative form of sponsorship, thanks to STAM Direct, the marketing company, which has has persuaded a range of media organisations and advertising specialists to help the Gallery in kind.

For example, *Business Magazine* has given a free page advertisement; *Departures Magazine* carries an advertisement promoting the offer of five photographs taken by the President of the Gallery, the Duke of York, which are to be auctioned; Media Star has given outdoor poster sites on which will appear posters printed free by London Poster Services and distributed by Concord Poster Link. The posters have been designed by Lowe Howard Spink under the art direction of Alan Walfie.

The brochure about the work of the Gallery has been designed and produced by STAM Direct, printed by Raithby Lawrence, on paper supplied by John Heyer Paper, typeset by Typestyle. So Photographers Gallery has acquired an impressive promotional campaign, as well as a marketing brochure, for nothing, thanks to the energy of one sponsor and the generosity of many others.

★

THE BIGGEST moan of arts sponsors is that they do not get enough media recognition for their cash. Indeed one *Guardian* critic, reviewing the recent *Three Sisters* at the Royal Court, actually managed to get in a derogatory remark about the sponsor, an Irish bank.

ABSA is now putting the pressure on the media to get due recognition when sponsored concerts, operas, ballets, etc., are reviewed. The editors of the *Times*, *The Telegraph* and the *Observer* have agreed to pass on the need for a plug to their respective arts editors, and the campaign continues. A sheaf of press cuttings, and TV and radio mentions, can be the decisive factor in persuading directors to maintain an arts sponsorship.

★

BANKERS TRUST's new headquarters in the Broadgate Centre would seem to place it firmly within the City of London. In fact some of the building is in Hackney and the company is taking its responsibility towards easing urban deprivation seriously. It is putting £40,000 a year into arts projects into Hackney's schools.

It has brought orchestral players into local schools and next year is planning to introduce classical dancers.

It is also co-operating with Opera London in its performances later this month of Britten's *A Midsummer Night's Dream* at Sadler's Wells. The cast and musicians have visited Hackney schools and local children will see the production and contribute to the decoration of the theatre.

Bankers Trust has a vested interest in the success of the *Dream*. It has invested £148,000 in the production, almost half the cost of the production, a remarkable act of faith in an opera company which has just one permanent employee, its driving force Jonathan Balkind, and which mounts one production roughly every two years for just six performances. But Opera London has a good reputation and is committed to widening the appeal of opera. It also provides Bankers Trust with corporate hospitality opportunities.

Next year Bankers Trust's aid will be more traditional. It is spending just over £200,000 on the Royal Opera House's reworked production of *Tosca*. One of the attractions here is a gala evening featuring Placido Domingo, a world away from Hackney children getting their first taste of classical music, but a sign of the breadth of arts sponsorship.

★

DESIGN consultancies are finding life hard these days but one, Carroll Dempsey & Thirkell, has taken the bold step of spending all its marketing budget on arts sponsorship. Its first venture is the exhibition of drawings by Anish Kapoor which opens at the Tate Gallery this week. With a top up grant from the Business Sponsorship Incentive Fund, the aid is worth £30,000.

In addition CD&T is to sponsor an annual lecture at the Design Museum.

★

ABBEY National is taking its first big step into arts sponsorship by supporting the autumn series of concerts at the South Bank performed by the London Mozart Players.

Antony Thorncroft

ARTS GUIDE

September 28-October 4

MUSIC

London

Royal Philharmonic Orchestra conducted by Sir Charles Groves with Dmitry Sitkovetsky (violin). Elgar, Berlioz. Royal Festival Hall (Tue) (071 928 8800).

The Philharmonia conducted by Esa-Pekka Salonen with Yefim Bronfman (piano), Spiros Sakkas (baritone), Silvio Gualdia (percussion). Royal Festival Hall (071 928 8800) (Wed).

Alfred Brendel International Piano Series. Haydn, Schumann, Beethoven. Royal Festival Hall (071 928 8800) (Thurs).

Paris

Orchestre de la Suisse Romande conducted by Armin Jordan, with Julia Varady (soprano) plays Britten, Strauss, Debussy, Ravel (Mon). Chatelet (40282840).

Les Arts Florissants conducted by William Christie plays Charpentier, Purcell (Mon), Monteverdi, Charpentier (Tue), both concerts at the Auditorium des Halles at 7pm (40282840).

Orchestre de la Suisse Romande conducted by Armin Jordan with Maria Tipo (piano) plays mozart, Shostakovich (Tue). Chatelet (40282840).

Orchestre de Paris conducted by Jansug Kakhidze with Alicia Delarrocha (piano) plays Schumann, Shostakovich (Thur). Salle Pleyel (45638873).

Orchestre National de France conducted by Ivan Fischer plays Berlioz, Paganini, Bruch, Brahms (Thur). Theatre des Champs Elysees (47203637).

Amsterdam

Netherlands Philharmonic with Theodora Geraets (violin), James Loughran conducting. Dvorak, Vaughan Williams, Elgar (Mon, Thur). Concertgebouw (781 345).

New Amsterdam Sinfonietta with Christa Pfeiler (mezzo), Lev Markiz conducting. Shostakovich (Wed). Concertgebouw (718 345).

Netherlands Chamber Choir conducted by Uwe Gronostay. Bach, Mendelssohn, Cornelius, David, Zimmerman (Sun matinee). Beurs (Damrak) (27 04 66).

Utrecht

Radio Symphony Orchestra, Greater Broadcasting Choir and vocalists conducted by Henry Lewis. Mendelssohn (Tue). Vredenburg (31 45 44).

Hague Philharmonic conducted by Günther Herbig, with Jutta Czapski (piano). Shostakovich (Thur). Vredenburg (31 45 44).

Brussels

Amadeus Quartet performs Beethoven, Brahms and Mozart. Palais des Beaux-Arts (Tues).

Finnish Radio Symphony Orchestra conducted by Jukka Pekka Saraste, with Tom Krause (baritone). Mahler, Mozart and Sibelius (Wed). Palais des Beaux-Arts.

Belgian National Orchestra conducted by Ronald Zollmann with Peter Zazofsky (violin) in a programme of Bartok, Dvorak and Smetana (Thur). Palais des Beaux-Arts.

Antwerp

Robert Höll (baritone) accompanied by Jozef de Beenhouwer (piano). Benoit, Brahms and Schumann (Tues). Rubenshuis (03-230 85 36).

Madrid

Bilbao Symphony Orchestra and choir conducted by Odon Alonso, with M. Jose Sanchez and Inmaculada Martinez (sopranos), Itxaro Mentxaka (mezzo-soprano), Manuel Cid (tenor), Luis Alvarez (baritone) (Thur). Auditorio Nacional de Musica (337 01 00).

Frankfurt

Russian Radio Orchestra conducted by *Vladimir Fedeseyev* with pianist Mikhail Pletnew with an all Tchaikovsky programme. (Mon, Wed). Alte Oper.

National Arts Centre Orchestra with Pinchas Zukerman as conductor and violinist play Schubert, Mozart, Bartholdy and Jacques Hetu (Thur). Alte Oper.

New York

Concerts: Mstislav Rostropovich (cello) with Lambert Orkis (piano) play Beethoven, Bach, Prokofiev, Tchaikovsky, Piazzolla (Mon); Philadelphia Orchestra conducted by Riccardo Muti with Kyung-Wha Chung (violin) plays Wernick, Bruch, Tchaikovsky (Tue); Julliard String Quartet plays Schubert (Wed). Carnegie Hall (247 7400).

New York Philharmonic conducted by Zubin Mehta with Marvis Martin (soprano) plays Barber, Strauss (Tue); Zubin Mehta conducts with Vladimir Spivakov (violin). Del Tredici, Mozart, Strauss (Thur). Avery Fisher Hall, Lincoln Center (874 6770).

Washington

National Symphony Orchestra conducted by Mstislav Rostropovich with Justus Frantz (piano). Mozart, Shostakovich (Tue); Mstislav Rostropovich conducts with Wendy Warner (cello). Shostakovich (Thur). Concert Hall, Kennedy Center (467 4600).

Royal Concertgebouw Orchestra of Amsterdam conducted by Riccardo Chailly. Rossini, Schubert, Brahms (Wed). Concert Hall, Kennedy Center (467 4600).

Chicago

Chicago Symphony Orchestra conducted by Sir Georg Solti with Charles Pikler (viola). Shostakovich, Bartok, Dukas (Thur). Orchestra Hall (435 3322).

Tokyo

The English Concert conducted by Trevor Pinnock. Bach, Telemann, Vivaldi (Mon). Handel, Boyce, Arne (Tue). Casals Hall (289 9999).

I Solisti Veneti. Vivaldi. Showa Women's University Hitomi *Memorial Hall, near Sangenjaya* (Mon). (403 6011).

Dezo Ranki (piano). Beethoven, Schumann, Haydn, Debussy, Bartok. Suntory Hall (Tue). (235 1661).

New Japan Philharmonic Orchestra conducted by Yuzo Toyama with Christa Ludwig (mezzo) plays Mahler. Suntory Hall (Mon). With Charles Spencer (piano). Schubert Winterreise. Orchard Hall (Thur). (289 9999).

Japan Philharmonic Orchestra *conducted by Jun-ichi Hirokami* plays Mendelssohn, Schubert. Suntory Hall (Thur). (234 5911).

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Between war and peace

"IF YOU want peace, prepare for war." That old adage is still relevant. The probability of restoring Kuwaiti sovereignty without war is not high, but in so far as it exists it depends on the ability of the United Nations to convince Iraq that they are prepared to fight if necessary, and can win.

Ultimately, as the Soviet foreign minister bluntly reminded the UN General Assembly in his speech last week, the choice between war and peace lies with Iraq. That stark fact must not be blurred or disguised, but it should not exclude consideration of ways in which the choice can be influenced.

Faced with a choice between withdrawal and defeat, Iraq has obvious and excellent reasons to choose the former. But there is a danger that to President Saddam Hussein himself, the person most likely to make the choice, withdrawal may seem an equally unattractive option. If Mr Saddam personally did not make that choice, there is always a chance that some of his key subordinates would make it for him.

But one cannot count on that. Nor can one be sure that those key subordinates would have different priorities from those of Mr Saddam himself. They, like him, may think they personally can survive the destruction of their country, and even emerge politically strengthened if the anger of the Iraqi people, and perhaps of the entire region, is turned against the US and Israel.

They may think their chances of personally surviving a meek compliance with the UN resolutions, after so much bombast and so much wanton destruction, would be at any rate no better. They may even think that death itself would be preferable to such a humiliation.

Life after withdrawal

Something can and should be done at this stage to convince them that life after withdrawal is possible, bearable, preferable to the alternative. President François Mitterrand at least clearly understands this. In his speech to the General Assembly he too warned Iraq that its current policy is leading inexorably to war.

Yet at the same time he carefully avoided threats and insults, recalling that "France has [significantly, he did not say "had"] long maintained friendly relations with Iraq"; and he tried to offer a way out. "Let Iraq state its intention of withdrawing its troops, let it release the hostages," he said, "and everything becomes possible."

In stage two of his plan the international community would "guarantee the implementation of the military withdrawal, the restoration of Kuwait's sovereignty and the democratic expression of the choices of the Kuwaiti people".

General horsetrading

In the third stage would come, not a general horsetrading session over the Kuwait-Iraq, Palestinian-Israeli and Lebanese-Syrian conflicts such as Mr Saddam has had the effrontery to propose, but a serious effort to solve each of these conflicts separately, through "direct dialogue between the parties". Fourth and last would come "the mutual and agreed reduction *of weapons in this region*", and "the beginnings of a cooperation which, from Iran to Morocco, from the Middle East to the Atlantic, would open the way to stability".

One can argue about the details of this plan – especially, perhaps, about the wisdom of leaving arms control until the last stage, when in many people's eyes the size and nature of the weapons in the region (above all those held by Iraq itself, and by Israel) constitute a danger as great as, if not greater than, the illegal occupation of territory.

But Mr Mitterrand's basic ingredients are the right ones, and the positive reaction of an Iraqi spokesman represents the first glimmer of an opening. That opening should now be discreetly explored by diplomats from countries which still command respect on both sides – France itself perhaps, or the Soviet Union, or Algeria.

Above all, the French president was right to insist that "the law must be the same for all, in its principle and in its effects". That applies in both war and peace.

If it comes to war, it must not be a war of western self-interest against Arab nationalism. It must be a war to assert the supremacy of international law and the principle that territory cannot be acquired by force – a cause which should be of as much interest to Palestinians as to Kuwaitis.

But it will be far better if that principle can be asserted peacefully, and the price of allowing Mr Saddam to claim some of the credit, outrageous though that claim might be, would be a price worth paying.

Expulsion by another name

ONLY BY the standards of Orwell's newspeak can Sir David Wilson, the Governor of Hong Kong, be said to have found the right words to describe his latest attempt to force the Vietnamese boat people back home. There is something about the phrase "acquiescent non-volunteers" that sticks in the throat.

Not that there are any easy solutions to a problem which has defeated successive international conferences. Last year, when Britain tried forced repatriation, international condemnation brought an instant halt.

But those quickest to criticize, above all the US (which has no scruples about turning back its own boat people from Haiti), did not offer to take Vietnamese migrants in anything like large enough numbers to provide an alternative. Meanwhile the patience of the people of Hong Kong, whose relatives from across the border are summarily returned, is sorely tested.

Only a shift in the region's geopolitical winds offers some long-term hope. The US now takes a less demonic view of Vietnam, at least in the context of Cambodia. It has not dropped its opposition to forced repatriation as such, but one purpose of Sir David's euphemism must be to enable the US to substitute one hypocrisy for another, by conniving at what amounts to forced repatriation under another name. (Whether this subterfuge will survive Congressional scrutiny is another matter.)

Blunt message

The hope is that Hanoi, desirous of international respectability, trade and credits, will agree to give guarantees of proper treatment for returning boat people; and that an improvement in the Vietnamese economy will create conditions where people no longer want so desperately to leave.

Already this year boat people are reaching Hong Kong in far smaller numbers than last year: perhaps the blunt message Britain was trying to send to potential future boat people did get through. The resettlement of existing boat people would not be so difficult if one could be sure the numbers were finite.

Glimmers of hope

Those are, at best, glimmers of hope. Meanwhile it is doubtful whether the new policy can be implemented without violating elementary humanitarian norms. It entails what might be described as a "grey area" approach: those happy to go home will agree to volunteer; those who do not volunteer obviously do not want to go, in spite of their bleak conditions and prospects; "acquiescent non-volunteers" presumably are those who say they do not want to go, but do not actively resist.

If they are led by the elbow to the bus, are they being forced? If they scream in protest but do not fight, are they *acquiescing? Will this operation*, designed to remove up to 1,000 people a month, be done openly or, like the last attempt, by dead of night? What happens when word gets round the camps that, while verbal objection leads to repatriation, physical resistance avoids it?

It is scarcely an appealing prospect, and it is astonishing that the UN High Commission for Refugees has been willing to involve itself in such a scheme.

The new director of its Asia and Oceania bureau, Mr Jamshid Anvar, has said its counsellors will actively seek out boat people in the new category, and is even reported as telling diplomats that UN officials would "encourage" the boat people to go home, by warning them that if they refuse they face deportation later.

This seems difficult to reconcile with the UNHCR's humanitarian mandate, and is very damaging to its credibility as an independent monitor of the way the scheme is implemented.

David Marsh profiles Helmut Kohl, who at midnight tomorrow becomes leader of the first unified, democratic Germany since 1933

United Germany's man for the hour

Helmut Kohl strides this week to the helm of history. In 120 years since Germany's first unification under Otto von Bismarck, the Germans have inflicted and endured destruction, weathered the cycles of storm and repair. Mr Kohl is taking over the most daring reconstruction job of them all: putting Germany's disparate post-1945 halves back together again.

Today, the eighth anniversary of his accession to the Bonn chancellorship, Mr Kohl will be acclaimed chairman of the all-German Christian Democratic Union (CDU) at his party's unity congress in Hamburg. At midnight on Tuesday, the prelude to a Germanic feast in Berlin of flag-hoisting, speech-making and toasts in sparkling wine, he becomes the first Chancellor of a united, democratic Germany since Hitler's takeover in 1933.

Little in Mr Kohl's career pre-destined greatness. Few German political leaders have appeared less likely to don the mantle of national statesmanship. Yet Mr Kohl has now squeezed his bulky 6ft 4in frame into it as if he had been waiting for nothing else.

On the brink of unification, Mr Kohl says he is determined to press ahead with European integration to counter foreign fears about renewed German might. And he believes that what has been for 40 years East Germany will soon be experiencing a repeat of the 1950s "economic miracle" in the West.

But fulfilling these goals will be an enormous challenge. As Mr Hans-Otto Furian, the spokesman for the East German Protestant church in Berlin, puts it: "Helmut Kohl has won considerable stature. It has been a surprising success. But in view of the growing economic and social problems (in East Germany), there must be a question mark whether he can keep it up."

Mr Kohl's chief weapons are consistency and persistence. One of his advisers says: "He is not a man for master plans – but he follows a fixed compass."

Sir Julian Bullard, British ambassador to Bonn between 1984 and 1988, says that, in reforging the Fatherland, Mr Kohl has shown qualities which have been there all along: "The straightforward characteristics of braving misfortune, going doggedly on, saying simple things in convincing words. He has been the man for the hour."

Mr Theo Sommer, editor of the heavyweight liberal weekly Die Zeit, is a friend of ex-Chancellor Helmut Schmidt (who is co-publisher of the newspaper), and has always been regarded by Mr Kohl with intense suspicion. Asked whether the Chancellor has become a statesman, Mr Sommer replies: "I think he has in a way."

Mr Kohl "is not an intellectual's

Few German political leaders have appeared less likely to don the mantle of national statesmanship

Chancellor," says Mr Sommer. "What I used to criticise is that he sat out problems. This time he has grabbed hold of the opportunity. Secure in his instincts, he did not let up. I'm not sure that he could always give you the rationale of his actions. But he did the right thing, and he did it with great determination, despite all the objections of the experts."

Mr Sommer says: "It was much easier for Bismarck to forge German unity in 1870... He did not have to have a treaty on the rapprochement of two systems. And he did not have to fight with the memories of the Second World War." Of Mr Kohl's chances in the December 2 general elections, Mr Sommer says: "I find it hard to imagine that he won't win an overwhelming majority." Mr Oskar Lafontaine, the Social Democrat candidate for the chancellorship "is painting the party into a corner by conjuring up economic chaos," says Mr Sommer. "Whenever economic chaos threatens, people turn to the CDU."

Another man to have modified his views is historian Mr Joachim Fest, one of the publishers of the conservative daily Frankfurter Allgemeine Zeitung. Mr Fest says of Mr Kohl: "I was always sceptical about him. But over the last year, since his 10-point plan (for German unity announced on November 28 1989) he has made no errors."

Mr Fest lists among the Chancellor's classic drawbacks his poor delivery of set-piece speeches, and his failure to create a "feeling of national solidarity" over German unity. Mr Kohl's own speech-writers admit that the Chancellor is much more convincing when speaking without a prepared text. Overall, though, the FAZ man says of the Chancellor: "I never thought he would live up to such a historic challenge. But he has."

Mr Kohl joined the CDU at the age of 17, and has been party chairman since 1973. Between 1969 and 1976 he was a successful state premier of Rhineland-Palatinate, the Catholic region of south west Germany where he was born 60 years ago in the industrial town of Ludwigshafen.

His long-time loser's image reflected not lack of achievement, but lack of elegance. His words spout in a gush of Palatinate dialect. He runs the government like a family business, and presides over state occasions like the chairman of the organising committee of a wine-growers' festival.

Partly because he has been undervalued for so long, Mr Kohl has a thin skin. He pretends not to care about the regular shafts directed at him by the left-of-centre weekly Der Spiegel and is always telling visitors that he never reads it. But he none the less expects his officials to comb the magazine assiduously each weekend – and has been known to ring them up to enquire about the contents. When a newspaper article appeared in July 1989 saying that Mr Karl Otto Pöhl, the president of the Bundesbank, believed that Mr Kohl did not grasp one of the central principles of the move to European Monetary Union, Mr Kohl wrote a stiff letter to the Bundesbank saying that he did.

Mr Kohl can show warmth and folksy charm. Yet, when vexed, he can be strikingly rude to photographers, waitresses, and officials. "He needs an emotional relationship with people who work with him," says Mr Wolfgang Bergsdorf, one of the closest of his half dozen-strong "kitchen cabinet". In spite of the helter-skelter reunification pace, the Chancellor has become much more self-confident and at ease over the past year. Mr Lutz Stavenhagen, Minister of State in the Chancellor's Office, says: "What has impressed me is that in this extraordinary time he has kept his relaxed style."

When Mr Kohl seeks comfort, he goes back to his roots in the Rhineland Palatinate, where his closest friends are found. "He needs a circle of people who like him, and whom he likes," says Mr Erich Ramstetter, 65, priest in the church of Saint Josef in the Ludwigshafen suburb of Friesenheim, just round the corner from the Hohenzollernstrasse where Mr Kohl grew up. Mr Ramstetter has known the Chancellor for 30 years, and sometimes accompanies him as a spiritual comrade-in-arms on government trips.

Mr Kohl's loyalty is a watchword. He has been known to map out the schedule of state ceremonies to allow him to drop in on a long-time crony. When former classmates land in hospital, he not only visits them, but helps them plan their convalescence. The Chancellor is more complex than generally realised, says Mr Ramstetter. "He can handle power. But that is just one side of him."

Mr Kohl indeed is a master of political tactics. The result can sometimes be brutal. "This is no genial bear," says Mr Werner Holzer, editor of the leftwing-leaning Frankfurter Rundschau newspaper. Whereas in the past he was accused of taking too long to make up his mind, his aides say that Mr Kohl has now perfected the technique of choosing the right moment to strike. A prime example was his coldly-executed dismissal in August 1989 of the CDU's long-time general secretary, Mr Heiner Geissler, which changed the political balance of the party at a vital time.

Mr Schmidt, whose downfall in 1982 came after he lost control of the SPD, grudgingly acknowledges Mr Kohl's ruthlessness. In private a few years ago, Mr Schmidt called him "a devil with a large stomach". One prominent Bonn television journalist recalls being warned by one of Mr Kohl's officials: "Be careful. He is a murderer."

Mr Ramstetter, however, describes another Helmut Kohl, with whom he goes for weekend country walks, accompanied by Mr Kohl's Leipzig-born wife, Hannelore – an important behind-the-scenes influence stoking Mr Kohl's all-German emotions. "He has a very intensive relationship to nature," says the priest. Mr Ramstetter says that Mr Kohl's real breakthrough with President Mikhail Gorbachev came in June 1989 when the Chancellor took him for a walk in the park of the Bonn Chancellor's Office.

"When we are out walking, he will stop and say: 'Look at this beautiful tree.' He looks at the clouds, the meadows. One sees how he needs to draw breath, how he is really a meditative type, not just a *Macher* (doer).

"Although he can sometimes be remarkably shy, he seeks contact with people," says Mr Ramstetter. "He gives people the feeling that he cares about their worries. If he sees an angler, he asks if the fish are biting. He pops in on rabbit and hare exhibitions. That is something which neither Schmidt, nor Erhard, nor Mrs Thatcher nor Adenauer would do."

One of Mr Kohl's most enthusiastic fans is Prince Louis Ferdinand, the 82-year-old head of the German royal family, who exudes: "He is a grand man, upright and correct. He has a fatherly touch. And he has a clever wife."

Mr Kohl's punctilious attention to hierarchy hints at his proletarian origins. He well knows, for instance, how to flatter the *hauteur* of President François Mitterrand, and likes to relate a wry precept of Konrad Adenauer: "One must always bow three times to the tricolour." Even though Germany has been without a monarch since 1918, Mr Kohl unfailingly calls Prince Louis "Imperial Highness" – and ensures that letters to him from the Chancellor's Office are addressed as such. One senior Foreign Ministry official says: "Schmidt is technocratic and elitist. Kohl is representative of a certain Catholic man in the street. Kohl is really more Social Democratic than Schmidt."

The seminal event in Mr Kohl's life, according to Mr Ramstetter, came after Germany's defeat in 1945. St Josef's church was destroyed in allied bombing in 1944 aimed at Ludwigshafen's BASF chemical works. After the war, in a scene repeated a thousandfold up and down devastated Germany, local residents cleared rubble from the ruined church by hand to forage rebuilding material. "There were hundreds of people from all backgrounds, stripping off the mortar from the bricks. One of them was Helmut Kohl," says Mr Ramstetter. "He believes that this is a sign of what society can achieve if everyone holds together."

Encouraging the Germans to pull together will almost certainly prove a tougher task in 1990 than it was in 1945. Mr Tyll Necker, president of the Confederation of German Industry (BDI), says that the economic gap between East and West Germany will present no great problems in five years time – "but the human gap, resulting from the wounds of the past, will remain until 2000." The BDI chief believes that Mr Kohl is very firmly a statesman – and that he is the right man in charge.

Mr Necker's mood, like Germany's, is not triumphant, but resolute, tinged with anxiety. "Kohl has the capacity for decisiveness when things are serious. He gets better when the pressure is on. He is a man for difficult days, difficult times."

US watchdog slips leash

■ Watch out fat cats of American business. Robert Monks is dreaming up new ways to keep you from getting more than your fair share of the corporate cream.

Monks is one of the leading figures in the growing US movement to improve the way companies are run, by getting institutional shareholders to stand up for their rights.

Five years ago he founded Washington-based Institutional Shareholder Services, which advises pension funds on how to cast their votes in proxy fights, the American name for shareholder ballots. It boasts more than 100 top funds among its clients.

Now the 56-year-old has resigned from ISS to set up a new venture, to be called Institutional Shareholder Partners, which will allow him to take a more active and less *advisory* role in improving corporate governance.

Before that, however, he is writing a book on the subject – a process he finds painful. It is producing mood swings "of manic proportions" and a "great sense of self-loathing".

He acted as an adviser in several prominent proxy fights, notably to Harold Simmons in his unsuccessful attempt to get control of Lockheed, and to investors who thwarted anti-takeover proposals at Honeywell. Monks says that although he was unpaid, his activism led to suggestions that he might be involving ISS in a conflict of interest.

To remove those concerns he is travelling on, leaving ISS under the presidency of Nell Minow, its 38-year-old general counsel and a former White House staffer, who has been with the organisation more than four years.

Monks is not yet sure precisely what form the new venture will take, beyond serving as a stimulus to institutional shareholders to act collectively and make corporate governance real. A possibility is a partnership which would invest in companies. Another is to draw up a list of good candidates for election to boards – which he describes as an "informal" version of Britain's Pro-Ned, the ginger group for non-executive directors.

One thing is certain. He will be casting a horrified eye over executive pay and perks, which he says have been moving from the merely unreasonable to the obscene.

OBSERVER

Hard times

■ The Taiwan stock exchange, down 78 per cent from February's levels, has been holidaying to mark the birthday of Confucius.

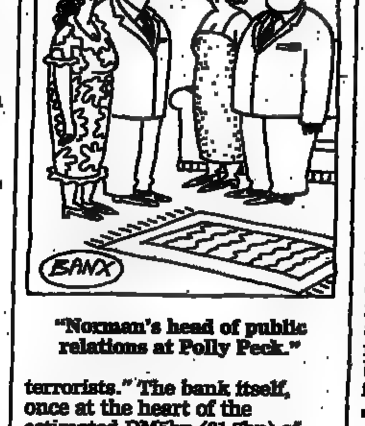
He say (really – Analects XIV, 11): *To be poor and not resent it is far harder than to be rich, yet not presumptuous.*

Shy sellers

■ While how much Barclays is paying for the Merck, Finck private bank in Munich is under wraps, more is known about the purchase price than about the family doing the selling. The von Fincks are among the shyest as well as the wealthiest of Germany's nobility.

Peter Stappen, general manager of Barclays' operation there (and a German national) has not only never met August von Finck, the 60-year-old head of the bank, but has not even seen a photograph of him.

True to the family's modest demeanour – although he has not inherited his father's taste for being chauffered around Munich in a VW Beetle – Mr von Finck is "no friend of large cars". According to an insider at the bank: "He drives Audi 80s, that sort of thing, changed frequently because of the



"Norman's head of public relations at Polly Peck."

terrorists." The bank itself, once at the heart of the estimated DM5bn (£1.7bn) of the family's land and brewing interests, is best known for its conservative investment style.

Following the October 1987 stock market crash, an American portfolio manager heard that Merck, Finck had survived the rout better than most. So he wrote, asking what computer model they used.

"Our brains", sniffed the reply.

Meanwhile, Barclays is only just learning the discreet ways of German private bankers.

Although Merck, Finck does not publish its profits, it no doubt raised the curtain at least slightly for the intending buyers. But when quizzed on the extent of funds under management, Merck Finck's core business, Barclays can only refer to the hint of a figure tucked away in the 1988 published accounts.

The UK purchasers' task is to preserve that character and exclusivity. The first and toughest job, in Stappen's judgment, will be warding off an army of eager Brits from almost every divisional head office eager to taste the delights of Munich.

Pop coup

■ Saddam Hussein is well known for the variety of his titles, ranging from the new Nebuchadnezzar (official) to the Butcher of Baghdad (definitely unofficial).

At PepsiCo, however, he has a special in-house sobriquet: the Bottler of Baghdad. This is because, when the Iraqi franchise for PepsiCola was privatised a while back he kept the lucrative concession for the Baghdad district in his own hands.

PepsiCo executives had an inkling that all was not financially well with their distinguished concessionaire in the weeks before he struck at Kuwait. Iraq, hitherto a model client, had fallen badly behind with payments for Pepsi concentrate.

Vale Maria

■ Irish Roman Catholic bishops are taking a hard line about the music which should and should not accompany a wedding ceremony. They are disturbed about what they see as a trend towards the use of purely secular love songs at such services.

During a discussion on the issue at a special bishops' conference there were even objections to such old reliables as the Wedding March and Ave Maria.

The bishops believe the occasion for such songs is not during the service, but at the reception afterwards.

City comment

■ The good news is Chase Manhattan has fixed a rescue merger with the National Bank of Poland . . . the bad news is the combine will be run by Chase Manhattan.

A new locomotive for British Rail

In the first of a series, Richard Tomkins considers the challenges facing Sir Bob Reid as BR's chairman

It is 11 o'clock in the morning at Cardiff Central station, and people are queueing to buy tickets for the 11.35 to London Paddington. Suddenly, the public address system crackles into life. Even before the words have been uttered, the passengers fear the worst.

Sure enough, the train has been cancelled. Another train operating between London and Cardiff has failed, and the 11.25am has been pinched to replace it.

It is a fairly hum-drum example of a cancellation on British Rail. There is a routine expression of regret from the announcer, but no alternative arrangements are offered and there is no question of recompense. Is this any way to run a railway?

Ask the passengers. Mrs Sally Moss and her husband Roger, a sculptor, were due to attend a London exhibition opening at 2pm, but the next train will get them there too late. They have already spent two hours on a connecting train from Carmarthen,

and now they are going back after a wasted journey.

"My husband's so angry I think he's going to have a cardiac arrest," says Mrs Moss. "They seem to run the railways properly everywhere else in Europe. Why can't we do it here?

Mr Al Hambly, an airline pilot, is on his way to a job interview at Southend-on-Sea in Essex. He has already missed the 10.25am to London because his connecting train from Leominster was held up by a track inspection. Now, he has to telephone his prospective employers a second time to tell them he is going to be not one hour late, but two.

"It makes you look a complete idiot," Mr Hambly fumes. "What chance do I stand of getting a job with these people if I can't even get to an interview on time?"

The question this episode poses is that if BR has any idea of the misery it causes when it cancels a train, why does it not keep a stand-by available for use in emergencies?

The equally simple answer given by BR is that financial constraints do not allow it to keep spare trains: they all have to be out on the tracks.

This is the British Rail that Sir Bob Reid, the 56-year-old former Shell chief, takes over as he begins work as full-time chairman today: a railway perceived as torn between conflicting goals of profit and public service.

On the face of it, Sir Bob is stepping into his new role at a fortuitous moment. After years of underinvestment, more money is being ploughed into the railways than at any time since the end of the steam age. New trains and signalling equipment offer the opportunity for a big improvement in services.

At the same time, however, Sir Bob is under pressure to produce a strong advance in BR's financial performance in order to reduce its call on the Exchequer and pave the way for its ultimate privatisation.

Theoretically, there should be no conflict between better services and bigger profits. But for BR, the difficulty of reconciling the two lies in its obligation to offer services which meet a public need without necessarily generating large returns.

Network SouthEast, for example, lost £138m last year, but without its commuter trains, London would have come to a standstill. Similarly, the Provincial sector's services lost £509m, but without them, hundreds of communities would have been deprived of vital transport links.

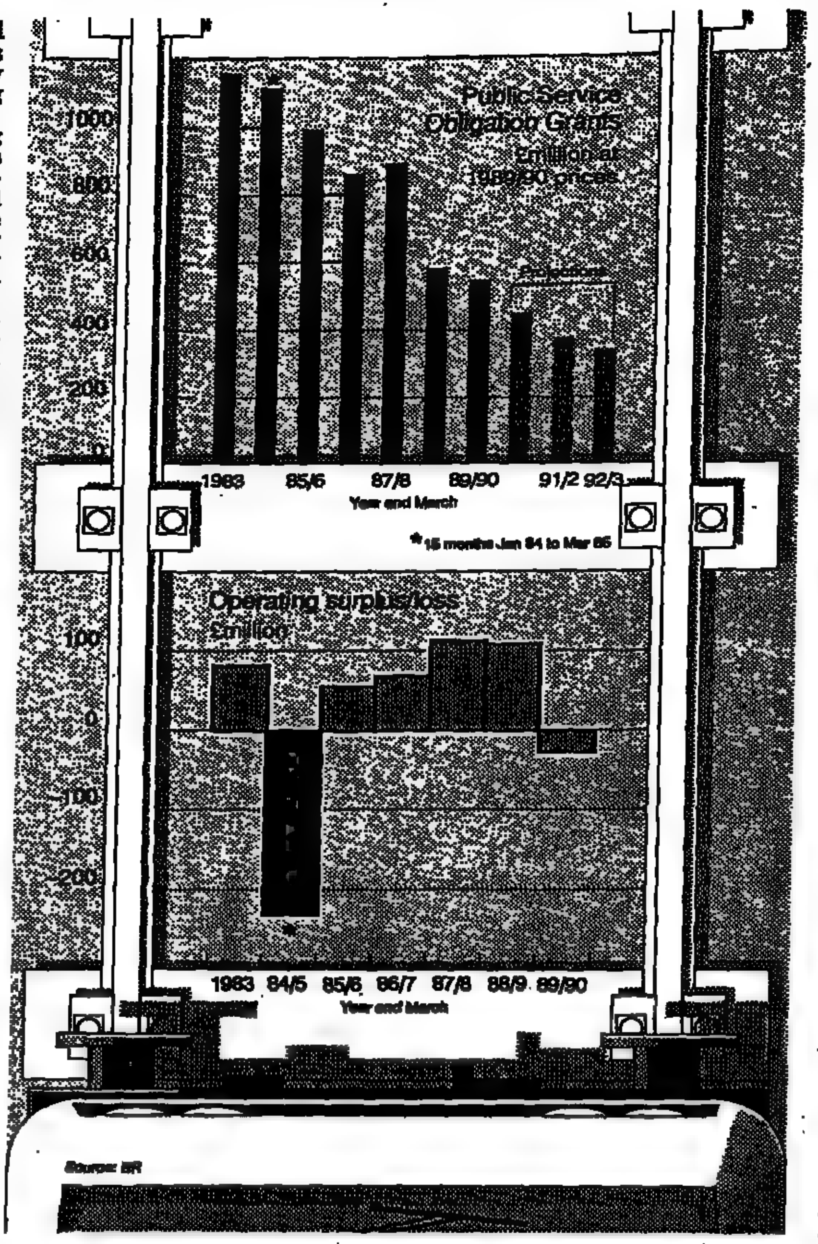
Sir Bob's predecessor, coincidentally named Sir Robert Reid, achieved a remarkable improvement in BR's financial performance during his six years as chairman by turning the railways into a more market-led, businesslike operation and securing improvements in productivity.

As a result, he was able to deliver a big reduction in BR's requirement for subsidies. Between 1983 and the year ending March 1990, the so-called public service obligation grant, which compensates BR for running unprofitable services, was cut from well over £1bn (at 1989-90 prices) to £574m.

Now, only two of the five business sectors set up by Sir Robert Reid – Network SouthEast and Provincial – receive subsidies. The other three – InterCity, Freight and Parcels – stand on their own feet.

The government, however, is not satisfied. It acknowledges that Provincial will never make a profit, but it wants to see further cuts in its subsidy from last year's £431m to £345m in 1992-93. By the same year, it wants Network SouthEast's subsidy of £143m in 1989/90 to be eliminated. And it wants to see returns in the unsubsidised sectors rising from their present paltry levels.

One way Sir Bob will work towards these goals is by carrying through the biggest restructuring of BR's internal organisation since nationalisation in 1948, abolishing the regions – Western Region, Southern Region and the rest – and dividing their tracks, staff



and other assets between the five business sectors.

Under the new system, each sector will act as an independent company. If one needs to use another's assets – for example, if Railfreight needs to travel over InterCity's tracks – it will have to pay it a fee. The aim is to transform BR from a production-led to a market-led organisation, making it more accountable and profitable.

Even so, the economies still to be wrung out of BR are unlikely to be on the same scale as those enjoyed by Sir Bob's predecessor; and while Sir Robert Reid reaped the benefits of a buoyant economy and rapidly rising revenues, Sir Bob is taking over with the country entering recession.

If the government's objectives are going to be achieved, therefore, it is not just the fat that will have to be cut away: some of the lean will have to go with it. The cuts will not be as severe as those made by Dr Beeching in the 1960s, but loss-making services will have to be trimmed, and costs in the profitable ones will have to be pared to the bone. Meanwhile fares, already among the highest in the world, will have to rise well above the rate of inflation.

One indicator of the likely trend is to be found in British Rail's winter timetable, which comes into operation today. Less than a week after the publication of an Environment White Paper drawing attention to the problems of road traffic pollution, more than 100 train services – typically, late-evening trains or Sunday services – are being scrapped because they do not make a profit.

Will BR's passengers be prepared to swallow further cuts and higher fares? Even before the latest bout, there had been widespread expressions of concern that the financial squeeze on BR was going too far. The Central Transport Consultative Committee – the statutory rail users' representative body – summed them up in its annual report last July, highlighting unpunctuality, overcrowding, the de-staffing of stations and the withdrawal of services as some of the symptoms of an underfunded railway. Astonishingly, it reported, cancellations in the year to March averaged 255 trains each day.

Critics of the government's policy towards the railways point out that the British Rail experiment is unique in Europe. Other countries subsidise their railways heavily, regarding them as an essential part of the national infrastructure; none has targeted its railways for privatisation.

Mr Robert Adley, vice-chairman of the Conservative parliamentary transport committee, remarked recently: "The government is trying to do something which no other western country is doing or thinking of doing. Its policy will lead to more cancellations, shorter trains, dirtier trains and staff shortages."

The signs are that an increasing number of Tories agree with him. Transport is at the top of the agenda for this month's Conservative Party conference at Bournemouth, and of the record 98 resolutions on the subject, calls for the privatisation of British Rail are outnumbered by calls for more money to be ploughed into the railways.

Whether the government will bow to these suggestions is another matter. It would take a very considerable U-turn to revert to the philosophy of a railway run as a public service first and a profit centre second. It would also undermine the prospects of BR's eventual privatisation.

If the government sticks with its present course, however, it will court rising hostility from passengers at the end of their tethers with BR. In doing so, it will reinforce Britain's reputation as a country which has a love-hate relationship with its railways. Sir Bob, beware: the British love their trains, but they hate the people who run them.

LOMBARD

Cost of better environment

By Samuel Brittan

There is something oddly unsatisfactory about the UK government's glossy environmental manifesto entitled The Common Inheritance (HMSO, £24.50). Battling through all the upbeat redescription of policies that have already been in force for many years and the hundreds of undertakings to keep under review long lists of policy options, I kept asking myself of what it reminded me, until I realised it was the ill-fated National Plan published by George Brown in 1965.

There was nothing particularly socialist or leftwing in the National Plan, which aimed to work with rather than against the grain of market forces – I should know because as a very temporary civil servant I put in passages to this effect. What both documents have in common is that they are the result of a trawl around government departments for material to put together to disguise the absence of anything that can be called a plan.

Presentation is a matter of taste. But it will not do to claim that the economics of the environment is a new subject or that price mechanism remedies have still to be studied. The case of the polluting chimney, whose emission could be controlled by suitable taxes, was thoroughly analysed by Professor A.C. Pigou in a book originally called Wealth and Welfare published before the First World War. Even the more modern-sounding idea of tradeable pollution permits was investigated in American studies of the 1960s. What are new are the international rather than local nature of the threats, for instance in the case of global warming and the ozone layer, and the political visibility of the whole subject.

The most up-to-date thinking in the White Paper is a quotation at the front from John Stuart Mill: "What rights, and under what conditions, a person shall be allowed to exercise over any portion of this common inheritance cannot be left undecided. No function of government is less optional than the regulation of these things, or more completely involved in the idea of a civilised society".

Here Mill anticipated the modern theory of property rights, which attributes unfavourable environmental spillovers to poorly defined property rights and obligations. Government economists had to fight so hard for well-known remedies, that they were not able to push out their intellectual frontiers towards Mill.

The White Paper is at its feeblest in saying that energy taxes will not be needed for the next few years. (It is not clear whether the phrase "with the exception of the transport sector" allows higher petrol taxes.) So far from costing the Treasury money, such taxes would be a revenue raiser. They would also serve other goals such as reducing transport congestion and helping to reduce western dependence on Middle East oil.

Governments are now failing in their duty by refusing to use their reserve stocks to prevent oil prices soaring to a level where they threaten a new slump. But when present alarms subside, they would be equally foolish to let the price of oil to consumers to fall back to $20 per barrel or less. Energy efficiency increased by leaps and bounds under the influence of oil price shocks of 1973 and 1979-80. But it has marked time since real oil prices started to fall.

Although most useful if adopted by many countries simultaneously, there would still be gains if one country alone raised energy taxes. Even the Treasury fear about effects on the Retail Prices Index is exaggerated. For the time to introduce it would be when world energy prices were coming down from their present artificial high; and in any case the revenues generated could, if necessary, be used to hold down other indirect taxes as a shock absorber.

The moral is not to back the Department of the Environment at the expense of the Treasury. It is the need for a unit in government concerned with the best use of national resources free from departmental vested interests. There was after all something in George Brown's basic idea of a Department of Economic Affairs, in spite of the wishful thinking and dirigiste title that marred the National Plan.

LETTERS

Television's need for a regulated environment

From Mr W. Cordelian.

Sir, Christopher Dunkley was one of the most persistent advocates of a multi-channel television environment, the so-called world of "electronic publishing". We were told that, in a screen world parallel to that of books, excellence would occur much as it does now. To usher in this new open market we have an impending auction of franchises and Mr Dunkley ("Why British is best," September 26) has caught a bout of nostalgia virus from ITV heroes at the Prix Italia, whose incumbencies are threatened.

They are right to worry. Aside from any similarities, the screen was always different in essential ways from print. The good product is usually very expensive and has to be amortised by securing large audiences, unlike good books which can be priced up and printed in short runs.

With myriad channels of screen fare there is a big waste of unseen programming. The world of the screen is more like that of the garden or the landscape and is not suited to copy that of the bazaar like Camden Lock – where we now learn that regulation is sought to ensure that anyone gets anything from the experience and that possible crowd disasters are avoided.

I hope Mr Dunkley will develop a more focused argument in favour of a TV market with sensibly limited numbers of competitors producing their wares in a sufficiently well regulated environment.

W. Cordelian,
55 Compayne Gardens, NW6

Intra-EC trade figures after 1992

From Mr G. Jenkinson.

Sir, I would like to correct a point made by Mr J.L.T. Davies (Letters, September 25) on the likely new system for measuring intra-European Community visible trade after 1992 when customs documentation (current source of the data) is abolished for this trade on completion of the single market.

The European Commission has made a proposal for a Council regulation which would establish the new system to collect these statistics. This does not specify the number of companies which would report in detail, but we expect that the coverage will be substantially greater than the 80 per cent by value of trade quoted by Mr Davies.

In some publicity the Commission has suggested it might propose that the largest 20 per cent of traders be required to provide detailed monthly returns. In the UK such traders account for around 96 per cent of the value of intra-EC trade.

Taken with aggregate data reported by smaller traders on value-added tax returns, such coverage would certainly enable adequate estimates of visible trade in total to be made at both current and constant prices. Also, with coverage as high as 96 per cent, it would not preclude the publication of detailed statistics for most industries.

However, as Mr Davies pointed out, all this has not yet been agreed by member states.

G. Jenkinson,
Head of visible trade branch,
Central Statistical Office,
Great George Street, SW1

The final footprint

From Mr William H. Scholl.

Sir, Mrs Preininger (Letters, September 15) can be forgiven for an assumption frequently made in Germany that my uncle, Dr William M. Scholl was German. His grandfather was born in Büschfeld in the Saar and emigrated to the US in 1859. Dr Scholl, who was born in La Porte, Indiana in 1882, founded the company which bears his name in Chicago in 1904. He died in 1968.

In the English-speaking world (and most Latin countries) the name has usually been pronounced "shoal", although the English frequently mispronounce it "skol" or "school". As Mrs Preininger says, the correct pronunciation in German is "sholl".

Dr Scholl's view was quite pragmatic: "I don't care how they pronounce the name as long as they buy the products."

William H. Scholl,
Farmhill Manor,
Braddan, Isle of Man

Decorum demanded a modest and unassuming structure

From Mr G.A. Waterfield.

Sir, Colin Amery reacts negatively to the first prize winners in his majestic article on the Dulwich Picture Gallery competition ("No match for Soane's genius," September 17), but does not justify his dismissal of their design.

"Almost invisible", he remarks disparagingly. Indeed, the design is extremely self-effacing; that was one reason why the judges liked it.

Mr Amery, with his understanding of classical architecture, should be familiar with the idea that the function of a building should dictate its character. The proposed extension would contain offices, a workroom, lecture room, tea room and shop; decorum demands that the structure housing such accommodation should be modest and unassuming in relation to the picture gallery. A building to contain new galleries would have demanded a wholly different approach.

Mr Amery suggests a competition in which 50 established architects would be invited to contribute designs. In limited competitions the architects invited to contribute are paid fees ranging from £5,000-£10,000. If Mr Amery does his sums, it may become clear to him why such a competition would hardly be practical.

The designs, says Mr Amery, in a closing oracular bout, have received "so little support". So they have, from the very small group of Classical Revivalist writers who dominate architectural criticism in this country and with which he is associated. But is it, perhaps, a little presumptuous of Mr Amery to speak for the rest of the world?

G.A. Waterfield,
director,
Dulwich Picture Gallery,
College Road, SE21

From Mr Leonard Manasseh.

Sir, The articulate Mr Amery describes a phrase in my speech at the competition dinner at the gallery as "ludicrous orthodoxy". He is entitled to his opinion, but in journalistic fashion he ignores the context, which was wholly admiring of Soane's delicate, idiosyncratic building.

I concede that "seeds of Modernism" (dread word) might have been more appropriate than "seeds of Brutalism": the bold, simplicity of the Mausoleum has a poignant, powerful appeal to architects today, even those (I quote) "known for their conventional, rather old-fashioned and out of touch modernist views".

Mr Amery seems to admire the same qualities in Soane's Gallery as I do and may agree that Soane's "use of the language of neo-classicism" was hardly conventional – reason enough perhaps for the disapproval of the classical purists of his day.

Architects not of Mr Amery's persuasion, whatever it is, are accustomed to his lofty disapproval, but he is unjust to imply that the Royal Institute of British Architects (Riba) influenced the result of the competition and that the non-architect assessors had no minds of their own. The Riba staff were immensely helpful, organising and displaying 377 entries comprising some 1,500 drawings and kept their opinions to themselves.

The idea that Margaret Richardson, deputy curator of the Soane Museum, Clive Aslett, deputy editor of Country Life, and Giles Waterfield, our independent-minded director, were overawed by the architect assessors is ludicrous. It is worth mentioning that assessing the competition, though arduous, was enjoyable and harmonious: the choice of the first three designs was unanimous.

I and many fellow architects, young and old, are more catholic in our view of what constitutes architecture than Mr Amery would allow. Also, I believe, with one of the greatest architects of this century, that architecture is nothing to do with style.

Mr Amery may not credit this, but I and the other assessors, though I cannot speak for them, would have welcomed an inspired Soaneian entry as a possible winner. He should examine the so-called Classical entries (and the others of course) as we did and declare hand-on-heart whether he would have awarded a prize to any of them.

Sadly, historians do not necessarily make good architects.

Leonard Manasseh,
chairman,
Dulwich Picture Gallery Committee,
58 Bloomsbury Street, WC1

FINANCIAL TIMES
Monday October 1 1990

Gorbachev plans reform of investment law

By Quentin Peel in Moscow

A COMPLETE *overhaul of* foreign investment law in the Soviet Union, allowing 100 per cent foreign ownership and full management control of ventures, is due to be announced by President Mikhail Gorbachev.

The new law will take the form of a presidential decree, under the emergency powers granted to the Soviet leader

It is one of a whole series of radical decrees which have been drafted and are ready for execution in the coming days, according to Professor Stanislav Shatalin, one of Mr Gorbachev's closest economic advisers *and chairman of the group* which drafted the 500-day programme for transition to a *market economy*.

In an interview with the Financial Times, Prof Shatalin *said the first decrees* would be implemented in "three to five days". This means Mr Gorbachev *is planning to* go ahead with key measures without waiting to negotiate a compromise *reform* plan with his government, headed by Mr Nikolai Ryzhkov, the prime minister.

Prof Shatalin

Prof Shatalin said that very tough measures to control finance, credit and monetary policy must be introduced without delay. He said the presidential decrees in the offing covered "the budget, the market, property and rapid privatisation".

An urgent necessity was to reduce the 1990 state budget deficit, now expected to reach almost Rbs90bn by the end of the year, or approaching 25 per cent of the budget. "We have to liquidate it immediately. It is a terrible source of inflation."

"We must cut investments. We need to sell off - including to foreigners - a lot of our uncompleted construction projects, and to sell the reserves of enterprises which they don't need."

On foreign investment, he *said*: "There will be a presidential decree soon. It will allow 100 per cent foreign ownership, including management control and special privileges, a special tax regime, with the possibility both of reinvesting profits or repatriating them."

Until now, foreign investors have been compelled to get involved in joint ventures with Soviet partners instead of taking direct investments. However the uncertainty about Soviet legislation and who owns resources, between the 15 republics and the union, has caused many recent potential investors to hold back.

Professor Shatalin admitted that the question of early convertibility of the rouble, the other key issue for foreign investors, was still unclear in the 500-day plan. The ambition was to move through "domes*tic convertibility" - with all* entities and individuals allowed to bid for foreign cur*rency at auctions - to* "partial convertibility" for external transactions.

Presidential decrees on the banking system, including a substantial increase in interest rates, and on a drastic acceleration of the defence conversion process, are also expected.

The question now is whether Mr Ryzhkov will be prepared to go along with the package of emergency measures, already understood to be drafted by Professor Nikolai Petrakov, the president's personal economic adviser, and his assistants.

In a television broadcast at the weekend, the prime minister called for urgent measures to halt a disintegration of the Soviet economy and ties between regions and enterprises. He said there was enough gas and coal for the winter, but coking coal might be in short supply for steel plants, and the oil industry was plagued by equipment and transport problems.

He said: "The situation is such in the country now that we must stop the decline. It is impossible to live without discipline, order and responsibility."

Emergency measures are still being taken across the country to gather in the harvest, including potatoes and vegetables. According to Soviet television on Saturday, only half the potato crop has been collected so far, compared with 80 per cent at this time last year.

Interview, Page 2

German court ruling lifts poll prospects for smaller parties

By David Marsh in Bonn

GERMAN political *fragmentation is likely to* increase as a result of changes to the electoral system for the *December poll to create a* united parliament.

The West German constitutional court *on* Saturday rejected the previously agreed system for the election, saying that it would harm the smaller parties' chances of winning seats.

As a result, the main parties in Bonn will this week start negotiations on a new set of regulations.

The election now seems likely to take place with proportional representation rules relaxed to favour the smaller groupings.

This could lead to a repeat of the outcome of the first West German general election in 1949, which led to half a dozen fringe parties entering parliament.

The decision by the court in Karlsruhe, which came just a few days ahead of formal German unity this Wednesday, will complicate planning for the election.

However, the Government is brushing aside suggestions *that the poll, due to be held on* December 2, will have to be postponed.

The ruling has unleashed a rush of legislative energy in Bonn as the government hurries to draw up regulations by the deadline of October 16 to allow the election to go ahead as planned.

Mr Rudolf Seiters, the Bonn chancellery minister, said yesterday that, assuming "goodwill" by all the main parties, including the opposition Social Democrats (SPD), agreement on a new law was possible this week.

The SPD yesterday refused to rule out that the December poll could be postponed. However, the opposition, already facing an uphill political battle against Mr Helmut Kohl, the chancellor, would probably lose further political support by obstructing speedy passage of alternative regulations.

A government draft on the new law could be published today, Mr Seiters said.

Under the West German system which has governed all elections apart from the first one in 1949, parties must gain *at least 5 per cent of the votes* to win seats in parliament. The government in August proposed extending this system to the whole of Germany.

In a unanimous verdict, the constitional court declared that this contravened the principle of equal chances for the parties. It was giving judgment on a suit brought by the Greens ecology party, the far-right Republicans, and the Democratic Socialist Party (the former East German communists).

To correct the bias against the smaller groupings, the 5 per cent threshold may be lowered, perhaps to 2 or 3 per cent. Another possibility would be to keep the 5 per cent cut-off level, but to allow separate counting of votes in the territories of both East and West Germany.

This would profit, in particular, smaller parties in East Germany such as the left-wing Alliance 90 grouping which played a leading role in last autumn's revolution in the country.

German unity, Page 2

Unification marathon: 26,000 people took part in yesterday's run, which went through both parts of Berlin

Oil industry at full stretch, says IEA

By Steven Butler in London

THE WORLD's oil production and refining industry is operating with almost no spare capacity and oil markets are expected to tighten further in the months ahead, according to a report by the International Energy Agency (IEA), the Paris-based organisation responsible for co-ordinating the response to an oil shortage for 21 industrialised countries.

Some analysts familiar with the internal deliberations of the IEA believe markets are now so fragile that within six weeks the IEA may be forced to take action.

Although the IEA concluded that the supply-demand situation for oil would remain "manageable" through October, the agency's *detailed analysis of oil markets* is unlikely to comfort traders worried about supplies.

The IEA on Friday said it would not act solely to bring *down the price of oil* and that it would need to identify a physical shortage before moving to release government strategic stocks or to restrain demand. But this could happen within weeks.

The IEA said that globally oil stocks had fallen by 1.3m barrels of oil a day (b/d) in the third quarter, compared to an estimate in late July that they would rise by 500,000 b/d. Strategic and commercial stocks in the industrialised countries were flat.

Floating storage, independent storage outside the industrialised countries and *entrepôt storage in Rotterdam or Le* Havre has been run down quickly.

These stocks of oil helped to bridge the gap in supply in August when 4.3 b/d of Iraqi *and Kuwaiti oil exports* were cut off until other producers increased production.

The IEA now believes that Opec will be able to sustain 22.2m b/d of production in the third quarter, compared to 22.5m b/d production predicted by many analysts before the crisis. Net Soviet exports are also declining and may run 200,000 b/d lower than last year.

This would leave the western world's oil supplies at 52.8m b/d compared to 54.3m b/d a year ago. For the whole year supplies would average 53.2m b/d, compared to 52.4m b/d last year.

Assuming oil prices at $26 a barrel, worldwide fall in demand stemming from lower economic growth and higher prices would amount to 730,000 b/d in the fourth quarter, and *1.04m b/d in the first quarter of* next year. Prices today are close to $40 a barrel and the *IEA notes this would have* a more severe impact on demand.

In order to balance the market under this scenario, worldwide stocks would have to fall by what the IEA calls a "normal" 1.7m b/d in the fourth quarter, including 1.5m b/d released from commercial stocks in the industrialised countries.

The potential difficulty which the IEA notes is that the margin for error is small. This is why the agency has asked member countries for immediate emergency steps. A cold snap, a refinery explosion, or *any disruption to Saudi* Arabian supplies during a war, could all tip the balance and *make oil markets unmanageable*.

It remains unclear, however, *how the IEA would react if oil* traders continue in effect trying to balance the market by *pushing up prices* and reducing demand.

Gulf reports, Page 3

Gulf crisis and recession fears depress US underwriting fees

By Martin Dickson in New York

THE DEPRESSING impact on Wall Street of the Gulf crisis and of domestic recessionary fears was underlined at the weekend with figures *showing* a sharp drop in third quarter underwriting fees from domestic new issues.

Disclosed fees to Wall Street securities houses dropped nearly 58 per cent from $791m in the third quarter of last year to $342m, according to figures *from IDD, the information services group*. In the first nine months of the year, fees *dropped by $650m, or 31 per* cent, to $1.5bn, the lowest level in six years.

Much of the decline is due to factors which have affected Wall Street for most of the *year*: the collapse of the junk bond market, which generated particularly high fees; a concomitant sharp slowing of takeover activity; and intense competitive pressure for business among securities houses.

However, the drop also *reflects* a recent decline in new equity financings due to the uncertainties of the Gulf crisis and *the domestic economy*. Until recently, equity issues had been one of the most ebul*lient US sectors of 1990, and* one where underwriting fees tended to be fatter than in the *debt markets*.

Total domestic corporate underwritings were up slightly *in the first nine months* of the year - by 3 per cent to $233.4bn - but in the third quarter there was a 4 per cent drop to $70.5bn when compared to the same period of last year, the first such fall since 1987.

Underwritings were down in all equity markets in the third quarter. IDD noted that since the Iraqi invasion of Kuwait at the start of August – leading to a steep decline in US stock markets – 16 issues had been withdrawn from registration with the Securities and Exchange Commission, five of *them new company flotations*.

However, debt financings rose by $2.9bn, or 4.6 per cent *during the quarter*, while asset-backed debt financings soared by $5.3bn, over 200 per cent, and *mortgage financings rose* nearly 18 per cent to $37.4bn.

Merrill Lynch Capital Mar*kets remained the leading* manager of underwritten offerings, both domestically and worldwide. It had $37.4bn of US offering, or 16 per cent of the market, followed by Goldman Sachs with 13.3 per cent and Salomon Brothers with 10.9 per cent.

According to figures from Securities Data, another research house, Merrill managed $42bn of issues worldwide, giving it an 11.1 per cent market share, against 9.5 per cent for Goldman Sachs and 8.7 for the Credit Suisse/ First Boston alliance.

Eurobond new issues, Page 25

Polly Peck pins hopes on Turkish banks

Continued from Page 1

banks are believed to have relatively limited exposure.

"No bank is going to come in at this stage, because they don't know what is going on," said one banker close to the company. A crunch would come in "more than days but less than months", he said. To *avoid it, Polly Peck is trying to* put together a three-part rescue package:

- immediate repatriation of nearly £100m in cash held in northern Cyprus. The company's agricultural, textile and leisure business there was described by the banker as a "terrific cash generator".
- the stand-by facility Mr Nadir is seeking from Turkish banks.
- both of these would be put in place only if Polly Peck's existing banks agreed to roll over their facilities.

If it appears that this finely balanced package will hold together, Polly Peck hopes to be able to make *its* long-delayed statement to the London Stock Exchange later this week.

Mr Nadir, who returned to London yesterday, plans to visit Turkey *later in the week*.

The company's statement is expected to be accompanied by *other measures to reassure* creditors and almost certainly will involve Mr Nadir standing aside as chairman.

Polly Peck's latest round of troubles began when Mr Nadir, *its largest shareholder, tabled* a conditional buy-out proposal on August 12, and then withdrew it five days later.

Since then, he has been publicly rebuked by the Stock Exchange and questioned by the Serious Fraud Office.

Transactions in Polly Peck shares by companies linked to *Mr Nadir's family and business* associates are under investigation by the Stock Exchange's *insider dealing group and the* SFO.

The shares have been *suspended since September 20*, when they lost more than half their value in a few hours. *Meeting regularly since then*, directors have been unable to produce a statement acceptable *to the Stock Exchange*.

WORLDWIDE WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	23	73	Berlin	C	17	[illegible]	Caracas	F	28	84	Faro	F	25	77	Islamabad	C	22	72
Algiers	S	33	93	Biarritz	F	27	81	Casablanca	C	22	72	Florence	S	18	[illegible]	Istanbul	S	20	68
Amsterdam	F	17	64	Bombay	R	27	81	Chicago	Fg	8	46	Frankfurt	C	18	[illegible]	Jakarta	F	31	88
Athens	S	23	73	Bordeaux	F	27	81	Cologne	R	17	64	Geneva	R	17	[illegible]	Jersey	R	17	63
Bahrain	S	36	[illegible]	Boulogne	R	17	64	Copenhagen	R	12	55	Gibraltar	S	27	81	Johannesburg	F	27	81
Bangkok	R	31	88	Brussels	R	17	64	Corfu	F	25	77	Glasgow	C	13	[illegible]	Lima	C	18	65
Barcelona	F	23	73	Budapest	S	18	[illegible]	Dallas	S	18	[illegible]	Helsinki	C	7	[illegible]	Lisbon	F	22	73
Beirut		-	-	Buenos Aires	C	22	72	Dublin	C	12	[illegible]	Hong Kong		-	-	London	F	18	[illegible]
Belfast	C	17	64	Cairo	S	31	[illegible]	Dubrovnik	S	22	72	Innsbruck	F	22	72	Los Angeles	S	17	64
Belgrade	S	26	79	Cape Town	S	20	68	Edinburgh	R	12	54	Inverness	Dr	10	50	Luxembourg	C	17	63

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Madeira	F	25	77	Milan	C	16	61	Nicosia	S	27	81	Salzburg	S	25	77	Tenerife	F	26	79
Madrid	F	22	72	Montreal	R	[illegible]	[illegible]	Oporto	C	21	70	San Francisco	C	15	59	Tokyo	R	20	68
Majorca	F	29	84	Moscow	C	[illegible]	[illegible]	Oslo	S	12	55	Seoul	F	25	77	Toronto	R	11	52
Malaga	S	27	82	Munich	F	23	73	Paris	F	22	72	Singapore	F	31	88	Tunis	S	27	82
Malta	S	27	81	Nairobi	R	20	68	Peking	S	21	70	Stockholm	C	10	50	Valencia	C	25	77
Manchester	C	12	55	Naples	S	25	77	Prague	F	22	73	Strasbourg	F	21	70	Venice	F	20	68
Manila	R	31	88	Nassau	R	[illegible]	[illegible]	Reykjavik	R	5	41	Sydney	C	17	64	Vienna	S	17	64
Melbourne	F	15	59	New Delhi				Rhodes	S	25	77	Taipei	F	32	90	Warsaw	C	12	55
Mexico City	C	25	77	New York	C	17	64	Rio de Janeiro	C	27	81	Tangier	F	25	77	Washington	F	17	64
Miami	F	25	77	Nice	C	19	66	Rome	S	23	73	Tel Aviv	F	27	81	Zurich	R	16	61

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

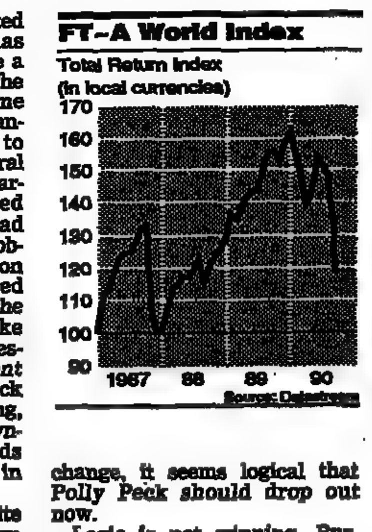
THE LEX COLUMN

Sweden imports a property crisis

Just as in 1974, an overheated UK property market has helped cause what looks like a secondary banking crisis. The difference is that this time around, the British have managed to export the crisis to Scandinavia. Given the general mayhem in world equity markets since Iraq invaded Kuwait, most investors had probably not noticed the problems in Sweden, centring on the plight of highly geared go-go *finance companies of the* late 1980s, with names like Nyckeln, Infina and Gamles*taden. Friday's 3.7 per cent* drop in the Stockholm stock market was a rude awakening, *and a reminder of the down*side of late 1980s trends towards global investment in property.

Admittedly, Sweden is quite capable of cooking up its own financial crises without foreign help. Swedish *inflation* is heading through the 11 per cent barrier, short-term interest rates are close to 14 per cent. As for the local real estate market, the less said the better. Rents have been stagnant in Stockholm and Gothenburg for several years, thanks to oversupply; and since the last restrictions on overseas investment were lifted in 1988, Swedish institutions have preferred to buy property overseas. There is the rub, since worries about the value of Nyckeln's UK properties helped spark off last week's stock market sell-off. Indeed, Swedish institutions have been building big positions in UK real estate, owning at least 200 major properties, worth £4bn.

To be fair, a lot of that investment came from strongly financed blue-chips, such as big Swedish insurers. And Swedish investors have invested heavily in German real estate too, especially in Frankfurt and Düsseldorf, where rental growth and asset values are still strong. But the episode – like last week's plunge in the shares of Rodamco, in the Netherlands – is a reminder that the authorities need to keep a close eye on the way cross-border real estate investment creates cross-border risk.



Polly Peck

With its market capitalisation a mere £470m and its shares still suspended, Polly Peck surely has no business staying in the FT-SE 100 Index. It would take a miracle to return the shares instantly to a level at which they would rank 110th largest among UK companies, the chief qualification for FT-SE status. Since tomorrow is the quarter day when the index's constituents change, it seems logical that *Polly Peck should drop out* now.

Logic is not winning. Burton, *Carlton Communications* and Taylor Woodrow will vanish from the FT-SE. But Polly Peck will stay, because the FT-SE steering committee does not want to rule until Polly Peck's long-awaited statement appears. The FT-SE's importance as a basis for futures trading, to say nothing of its status as an objective indicator of share price performance, surely deserves higher priority.

Japan

There is a curious conundrum about the Japanese financial markets at present. Huge sums of Japanese money, it is said, are being repatriated in response to the Gulf crisis; hence the 9 per cent rise in the yen since the crisis began. But in the same period, the Nikkei index has crashed by 32 per cent, the benchmark bond yield has risen from 7 per cent to nearly 8 per cent and short rates have risen in proportion. Where is all the money going?

One possible answer is that the shift of cash is not so much a fundamental realignment as a piece of Japanese window dressing at the September year end. Given the time necessary to execute securities sales in Europe, say, one would expect such a move to have run its course already. And indeed, the yen on a trade-weighted basis has gone sideways for the past 10 days. The next week or two may give useful guidance as to whether the yen is now a safe haven for international money, or whether Japanese cash is once more headed for fresh pastures.

If the former, the Japanese financial framework may come under increasing strain. The last thing Japanese banks want is to be burdened with short-term interest-bearing deposits when their ability to lend is under official constraint. Nor do they want their balance sheets inflated at a time when their capital base is being reduced by the fall in equity prices.

Irrespective of investment flows, it is here that the Tokyo equity collapse poses its real threat for the rest of the world. So far, the response of the banks to the fall in their capital bases has been to seek to replenish them. At some point, they may go the other way and seek to reduce their loans. And when the banks are obliged to choose between supporting overseas construction projects and their own domestic manufacturers, the Japanese credit crunch *really goes global*.

UK performance

It is hard to believe that less than three months ago the Dow Jones *Industrial average* was *flirting* with the 3000 level, the FT-SE 100 was nearly 500 points higher, and most *of* the Continental European bourses were hitting new peaks. The subsequent *savage correction* has meant that the third quarter has been one of the worst on record. *The only fund man*agers who will have prospered are those brave enough to be sitting *on cash* when *Iraq* invaded Kuwait nine weeks ago.

Early estimates *from WM* Company, the investment measurement group, suggest that the total return of the FT-A world index fell by 23 per cent in sterling terms. The UK's fall of 16 per cent was not so bad as the 21 per cent decline in the US, which in turn was better than the 25 per cent drop in Continental Europe. At some stage in the current quarter, the UK *equity market* will almost certainly enjoy a dramatic bounce, especially if there is any sign of an improvement in the political situation in the Gulf. However, it is worth remembering that the FT-SE 100 will need to jump by 800 points, or 40 per cent, before the end of the year, for a fund manager to have outperformed cash in 1990.

Given that the oil price has virtually doubled since the start of the year, long-term UK interest rates have risen by a fifth, and sterling has appreciated by close to 10 per cent, the UK economy is in a far more fragile state than at the start of the year. If last year was the best for equity investors in more than a decade, then this year looks like being the worst. The trick now is to judge when the market's justifiable fears for 1991-92 are overdone. Even in a bear market, it does not pay to become too gloomy.

FINANCIAL TIMES
COMPANIES & MARKETS

Monday October 1 1990

INSIDE

Baltica wins life race

Baltica Holding, the Danish financial services group, has won the race to gain control of the state life insurance and pension company, Statsanstalten. And Assurances Générales de France (AGF), France's second largest state-owned insurer, has given details of a share manoeuvre that will allow it at some point to raise up to FFr1bn ($190m) on the equity markets. Page 23

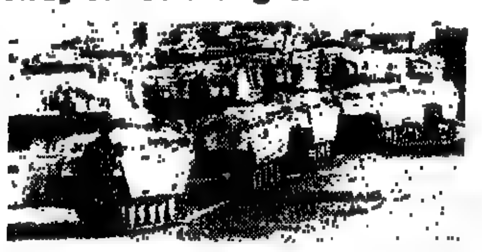
Try, try again

The UK's about-to-be-privatised electricity distribution companies have been setting up syndicated loan arrangements over the past weeks – with distinctly patchy results. Some of the deals were oversubscribed, but in others the underwriters were left holding more than they had bargained for. National Grid has already had to offer better terms and there are rumours that Southern Electricity will too. Deborah Hargreaves reports. Page 25

Mind the gap

Despite a slow, but sure improvement, the French government bond market remains smothered by a tone of unalloyed pessimism. The spread between French government 10-year OATs and West German Bunds, which has widened sharply since the invasion of Kuwait, remains around 150 basis points. Investors have not mustered the courage to narrow the gap, reports Geroge Graham. Page 24

Rosy outlook for gilts



The gilt-edged securities market had a bad time last week. Trading was thin and prices for many gilts ended lower than at the beginning of the week. But there's hope despite the gloom. Several factors promise to boost performance: evidence of a UK recession should *force down interest rates, an expected government* issue of new gilts would increase trading levels, and even the Gulf crisis will result in a higher tax rake-off from increased oil prices. Page 24

Market Statistics

Companies in this section

Central bank plans aid for Banesto

By Peter Bruce in Madrid

THE BANK OF SPAIN is *preparing measures to assist* financial institutions, particularly Banco Español de Credito (Banesto), one of the country's biggest commercial banks, over*come heavy provision obligations* following sharp falls in market values since the Gulf crisis.

The central bank said at the weekend it would be talking to affected *banks to find a formula* allowing them to delay making provisions in their interim accounts.

Banesto should have made third-quarter provisions of nearly Pta54bn ($551m) on Friday, more than twice its net profit last year, if central bank criteria were being strictly applied. The central bank said, however, that as the supervisory authority it *regarded the situation as excep*tional and transitory, and not the fault of Banesto's management.

Banesto's difficulties have been caused by the formation in June *of Corporación Banesto*, a conglomeration of its vast industrial holdings, which account for about 1 per cent of Spanish gross domestic product. It contains *some of the jewels of Spanish* industry, including Tudor, Europe's second largest battery manufacturer.

In merging its industrial companies into Corporación, Banesto revalued the book worth of its holdings – some critics have said they were overvalued – to secure greater leverage and to raise some Pta90bn in a flotation of 26 per cent of the Corporación which should have taken place in September.

That flotation has been suspended, pending a market recovery.

Meanwhile, the market value of the Corporación has fallen 38 per cent, to below the book value employed by Banesto, since August 2.

That affects Banesto by about Pta4bn, but it and the Bank of Spain are in dispute over whether Corporación, as a holding company merely managing a *big industrial portfolio*, is a financial institution or a limited company. If the central bank insists it is a financial institution then separate, and, in current circumstances, much higher, provisions would have to be made quarterly.

The two sides will probably decide over the next three months whether Corporación's accounts should be consolidated into Banesto's.

Although brokers say Banesto would easily be able to solve the problem by selling one of its companies, the bank will clearly be loathe to do so in a poor market.

Separately, Mr Mario Conde, Banesto's chairman, said he expects 1990 pre-tax profit to show an increase of about 10 per cent from last year's Pta48.04bn. He said the bank had decided to pay a dividend of Pta90 per share for 1990, up from Pta80 in 1989.

Barclays buys its way into Germany's exclusive club

Katharine Campbell reports on plans for Merck Finck

DISCRETION, even secrecy, are the hallmarks of success in the exclusive world of private banking. So it was perhaps no surprise that when Mr August von Finck, one of Germany's wealthiest individuals, sold his prized family bank, Merck Finck, to Barclays of the UK, the German *bank's senior management were* kept in the dark until the last.

The purchase – subject to regulatory approval – of one of the country's most respected family banking houses is an undoubted coup for Barclays, hitherto under-represented in Germany. It marks a crucial step for Barclays in its European ambitions.

The challenge now for the UK bank is how to preserve the exclusivity and cachet of a rich family bank from which the family has, in all important senses, departed.

The number of German private banks has dwindled steadily – from some 1,400 in the 1920s to fewer than 90. Only a handful have a significant presence. Merck Finck is, in asset terms, the second largest.

Fewer still are independent. Sal. Oppenheim, the sector leader, recently paid for its independence with the sale of the "family silver" – a majority stake in Colonia, the insurance company.

But Germany's growing wealth, together with its propensity to save, makes the field increasingly attractive for rich *international banks, and a partic*ularly coveted route into the protected German market.

The Munich-based Merck Finck, the jewel in the Finck fortune, was built up in three generations since its founding in 1870. Its sale comes largely because the young members of the next generation have no inclination to follow family tradition. Wilhelm von Finck, a prominent nineteenth century financier – who co-founded Allianz, now Europe's largest insurance company, among many other enterprises – presided over the bank for more than 50 years.

Merck Finck cut its teeth in financing the industrialisation of Germany; and, in an early foray into the capital markets, it was a member of the Rothschild consortium that underwrote bonds for the Austro-Hungarian empire. Mr von Finck handed on to his son, *August, who also headed the* institution for more than half a century until his death in 1980.

Fondly remembered for his preference for being chauffeured around Munich in a Volkswagen beetle, his heart was said to lie in the land rather than in his banking interests. In 1980 Merck Finck passed to his two sons, August (60) and Wilhelm (62).

With a net worth estimated at some DM5bn ($3.2bn), the Finck family are extensive landowners in the Munich environs. Their wide-ranging brewing interests include some 90 per cent of *Löwenbräu of Munich. A reshuffling* of their assets – prompted by the threat of punishing estate duties – led to the realisation of many of the bank's hidden reserves and a split of the fortune between the two brothers. Wilhelm von Finck, now responsible for the land interests, left the bank.

Thus Barclays acquires solely the banking operations of Merck Finck – for an undisclosed sum *that could lie between DM600m* and DM900m.

The initial contacts that led to last week's deal were at the highest level – between Mr August von Finck and Sir John Quinton, Barclays chairman.

While it had been hoped that Mr von Finck would retain a financial stake, smoothing the transition, he wished to sell out completely. His only remaining tie will be the chair of a supervisory-board committee, whose members will include Mr David Band, chief executive of BZW.

Meanwhile, the task of masterminding the integration falls to Mr Giles Davison, area director of Barclays, who becomes a personally liable partner, as the old corporate structure of the bank is retained.

He will be careful to nurture Merck Finck's independence. "Part of the charm of the acquisi*tion," he contends, obviously rel*ishing his new role as a private banker, "is that it is a well-recognised private bank. This is the image we want ... The last thing we wish is to smother it with the procedures of a big bank."

Whether the current management will stay is a trickier question, given that it was not until last Thursday evening, for instance, that he met Mr Adolf Kracht, previously a liable partner along with Mr von Finck.

Meanwhile, Mr Davison says he is encouraged by the success of Lloyds Bank with Schröder *Münchmeyer Hengst (SMH)* – albeit from very different beginnings. Lloyds acquired SMH when the private bank was threatened with collapse after a lending scandal.

As SMH recovered, its German management fought for the independence they saw as a prerequisite for success in the securities business. Lloyds has now sold a symbolic small stake to the five partners.

Mr Davison sees Barclays' new role as funnelling the international product skills of BZW towards the sound domestic fund management business of Merck Finck. The bank's wealthy private client base is supplemented with at least DM1.4bn of institutional money.

On the lending side, Merck Finck's forte is with West Germany's *Mittelstand*, medium-sized companies who value the exclusive relationship struck with a private partnership. Their preferences for operating away from the big bank atmosphere will have to be observed scrupulously.

Meanwhile, how Barclays' own not inconsiderable *Mittelstand business will be integrated* is still uncertain. Mr Davison points out Barclays has so far had no access to the bank's management to discuss such details.

Other areas which Barclays wishes to expand include mergers and acquisitions and derivatives operations based on the DTB, the German options and – shortly – futures exchange of which Merck Finck is a member.

For years, Germany has stubbornly remained a weak spot for Barclays, especially in investment banking. Mr Peter Stappen, general manager in Frankfurt, recalls being told when he joined the bank 16 years ago that Barclays was "planning something really big in the German market".

Signs that Barclays wants a higher profile, however, are coming thick and fast. A fledgling German BZW was set up earlier this year, while last month, the bank *formed* a joint venture with a retailing credit card operation. Finally, Barclays opens an office in East Berlin next week.

Observer, Page 18; Barclays acquisition, Page 22

A crucial step for Barclays: Sir John Quinton, chairman

CWB in $200m Swedish buy-out

By Andrew Baxter *in London*

ONE of the largest buy-outs in Europe this year was announced yesterday by CWB Capital Partners, a joint venture between Standard Chartered of the UK and Westdeutsche Landesbank (WestLB), West Germany's biggest public sector bank. The deal comes less than four months after the buy-out was launched.

CWB, which aims to arrange and invest in European buy-outs and other change of ownership transactions, is paying $158m for Swedish-based Arjo Group, the world's largest supplier of hygiene, transport and lifting equipment for hospital patients.

The seller is Malmros International, a publicly-quoted Swedish concern which wishes to concentrate on its core property interests. Including working capital, total finance for the deal is more than $200m.

The purchase is the first deal for CWB, which is taking a majority of the $57m equity element of the buy-out. Malmros is taking a 10 per cent stake, and Arjo management a further small stake.

CWB was a result of the agreement late last year between Standard Chartered and WestLB to co-operate in international markets and merchant banking. CWB is independent of Chartered WestLB, the merchant bank jointly owned by the two banks.

The deal underlines the contrasting climate for buy-outs in continental Europe and the UK. Mr Nigel Doughty, CWB chief executive, said yesterday that the UK was currently a difficult market for arranging buy-outs. "Price expectations are not reflecting the economic situation. And if they do, it's difficult to get the financing."

In contrast, he said, "the quality of deals in continental Europe is really head-and-shoulders above the deals that we see in the UK."

Mr Doughty admitted that several of CWB's rivals had been prepared to pay more for Arjo, which is relatively immune to economic fluctuations. Pre-tax profits, before interest, were $15.9m last year on sales of $91.5m, and are expected to reach $20m this year.

However, he observed that, *contrary to Anglo-Saxon M&A* practice, price is not the sole determinant in continental Europe.

Senior financing for the deal was underwritten by a syndicate led by Union Bank of Switzerland, and mezzanine finance was arranged and underwritten by the Intermediate Capital Group.

Economics Notebook

IMF sees sunny side of inflation

Economic optimism is in generally short supply these days.

But the International Monetary Fund has come to some surprisingly upbeat conclusions about economic prospects in Latin America.

Tucked away in its latest World Economic Outlook are short and medium-term projec*tions which suggest* that the big debtor countries of the Western hemisphere could enjoy growth and inflation in the next five years similar to that of the *successful industri*alising nations of Asia in the 1980s.

The IMF forecasts a strong recovery in output to 3.6 per cent next year *for the* Western hemisphere developing nations after a projected fall of 0.4 per cent this year. This forecast, if realised, would give these countries a growth performance ahead of the 2.4 per cent growth envisaged for the industrialised world.

More suprising are the IMF's inflation projections. This normally cautious body believes *that average inflation in the* Western hemisphere group will tumble to 30.1 per cent next year from 625.6 per cent in 1990.

Inflation in *all developing* countries is projected to fall next year to 16.1 per cent, or roughly four times the projected industrial country average *for 1991*, from 104.8 per cent this year, which is about 25 times the average *inflation* level anticipated for the industrial world in 1990.

How the Fund can project average inflation to one tenth of a percentage point in regions as diverse and unpredictable as Latin America must remain a mystery. But it is still remarkable that its economists are prepared to stick their necks *out in forecasting* such a sharp change in trend.

According to Mr Michel Camdessus, the IMF managing director, such candour is based on the belief that most Latin American countries have either put in place or are about to put in place the right policies and that they will stick to them.

The Fund therefore sees a substantial tightening of monetary and fiscal policies in Third World countries over the next few years.

- Monetary growth in those countries with recent debt servicing difficulties is projected to fall to an average of 15 per cent a year between *1992 and* 1995 from 281 per cent in 1989.
- Fiscal deficits are projected to be stable or to decline in most of the big developing *nations* with several *countries* expected to run fiscal surpluses between 1992 and 1995.
- The IMF has also built into its projections planned improvements in structural policies which should lead to greater economic efficiency.

Already there are instances of extraordinary improvement. The Peruvian finance minister reported to the IMF and World Bank annual meeting last week that Peru's new government had inherited a cumulative 2 million per cent inflation from the previous government. *This had been cut in two* months to an inflation rate of 5 per cent a month.

Looking ahead, the IMF believes the net debtor countries of the developing world could grow by about 5 per cent a year *between* 1992 and 1995. Most of the increase would occur in countries which have recently experienced debt-servicing problems.

Investment ratios in these countries are projected to recover to almost 24 per cent of gross national product in the *period from 1992 to 1995 from* about 20 per cent at present.

Consumer price inflation, after the sharp drop projected for next year, is expected to continue declining gradually after 1992. In those countries such as Brazil and Argentina, which have recent debt servicing problems, it could average *10* per cent by 1995, the Fund believes. Those debtor countries without debt problems could see their annual inflation rates fall to an average of 7 per cent by the middle of the decade.

It must be said that these scenarios are optimistic. In particular, they were drawn up largely before the Iraqi invasion of Kuwait. As the World Bank has made clear, the subsequent oil price rise will hit many developing countries hard. It could lessen their resolve to carry on with tough policies.

In the past also, the IMF has *been too hopeful about the* capacity of debtor nations to reform. Its recent annual report showed that the IMF board, which represents the membership and is dominated by the big industrialised countries, had warned that the Fund's expectations of improved economic performance in the debtor nations were "subject to considerable *downside risk*".

But there is no doubt that attitudes among developing country governments have changed. The collapse of communism has persuaded virtually everyone that there is no alternative to a *market-based* system and adjustment to make their economies more efficient.

Mr Camdessus believes that the debtor nations, and, particularly the potentially wealthy giants of Latin America, could be on the threshold of an "historic change". By 1995, he hopes to be able to say "I told you so" to the *sceptics* who regard the IMF's latest medium-term projections as so much wishful thinking.

Peter Norman

Maxwell to unveil $450m asset sales

By Raymond Snoddy in London

MR ROBERT MAXWELL, the publisher, will announce agreements on *disposals* this week worth around $450m – the first stage of a programme designed to reduce the £1.9bn debt of Maxwell Communication Corporation, the UK media group.

MCC will announce *later* today that it has reached conditional agreement to sell P F Collier, the encyclopaedia subsidiary of Macmillan of the US, *to Langenscheid, the West Ger*man encyclopaedia and dictionary publisher, in a deal worth $97m. Collier has a cashflow of $4m a year.

Mr Maxwell will also announce agreement on the sale of his 27 per cent stake in Donahue Newsprint Mills of Canada to a British bank for $140m.

At his recent annual meeting Mr Maxwell made it clear he intended to sell his 20 per cent stake in De La Rue, the UK specialist printers. The stake is estimated to be worth more than £70m.

It is believed that stockbrokers Smith New Court will be asked this week to hold an auction for the stake.

Mr Maxwell also made it clear at the annual meeting *that he intended to accelerate* his programme of disposals of non-strategic businesses to reduce the debt taken on through the acquisition of Macmillan *and the official* airline guides as soon as possible and that the total is expected to exceed $1bn.

Two further announcements on *disposal agreements* are expected later this week. They involve Mr Maxwell's 20 per cent stake in Quebecor Printing - a sale likely to raise around $100m.

The second is the sale of a consumer publishing company also expected to bring in $100m.

UK water group to press waste bid despite inquiries

By Clare Pearson in London

THE Severn Trent water company is pressing ahead with its £78m hostile takeover *bid for* Caird, the waste disposal group, despite official *inquiries into some of the tar*get company's acquisitions.

Severn posted its offer document to Caird shareholders over the weekend, after buying more shares on Friday to take its stake from 24.8 per cent to 29.98 per cent.

In the offer document, Mr John Bellak, Severn Trent chairman, said: "At this stage, we have insufficient information to determine whether these investigations are or are not material to the Caird group." The inquiries are being carried out by the police, the Inland Revenue and the Department of Trade and Industry.

The offer document contains conditions which, if not satisfied, would enable Severn to abandon its 100p-a-share cash bid. These include inquiries by regulatory and other bodies, but only if they are material in the context of the *Caird* group.

Caird's confirmation of the inquiries *followed* press reports suggesting that some of the investigations related to acquisitions made while former director Mr Brian Masterson was on the board.

Banks wary on Polly Peck credit

By Richard Waters

THE SITUATION at Polly Peck International has deteriorated fast since the shares were suspended on September 20.

Although the main operating companies – Sansui, Vestel and Del Monte – were reported yesterday to have continued to operate strongly, banks have been wary of renewing lines of credit.

The structure of the group's debts has made matters worse. A large proportion - well in excess of £100m - of its debts have been in the form of uncommitted facilities, which banks only roll over at their discretion. Polly Peck was in the process of renegotiating its medium-term facilities, and reducing its excessive reliance on uncommitted credit lines, when the suspension intervened.

The search for liquidity has led in the first place to Northern Cyprus. Polly Peck's fruit packaging operations there are said to be a strong cash generator. More importantly, perhaps, there is a substantial amount of money on deposit. In all, close to £100m could be at stake.

Freeing this up would help Polly Peck through its immediate cash crisis – but even this would keep it going "more than just a few days, but not months," according to one person involved in the current negotiations.

The group's survival depends in the near- and medium-term on other factors: its ability to hold its existing bank creditors in line, and the availability of a stand-by facility to underwrite its finances. The underwriting is intended to come from a syndicate of Turkish banks.

In the meantime, existing creditors will be asking themselves why, even with a backstop in place, they should continue to extend credit to Polly Peck. If they felt they could recover their money in a break-up of the group, why not force Mr Nadir's hand and put the company into administration at this stage?

In this, they have a significant precedent to ponder: British & Commonwealth Holdings forced into administration by its bank creditors earlier this year. Like Polly Peck, B&C had around £1bn of debts, was a collection of free-standing businesses put together through acquisitions in recent years, and was closely associated in creditors' minds with a powerful chairman, Mr John Gunn in the case of B&C.

In another close parallel with B&C, Polly Peck is understood to be planning a number of asset sales to reduce its gearing as a matter of urgency. In B&C's case, the banks decided they could recover their money easiest by pulling the plug.

They may decide the same again, if they feel they have less to lose than by continuing to support the group.

The task of Chartered WestLB, Polly Peck's advisers, is made all the harder by the fact that the group does not have a lead bank, one financial institution whose commitment to the group is so large that it would put its own weight behind a lifeboat operation.

That, and the fact that the Bank of England is understood not to be involved in co-ordinating any financial support, suggests that there will be a strong temptation for some banks to cut and run.

If Polly Peck manages to hold its creditor banks in line, its troubles will not be over. Mr Nadir standing aside as chairman will not settle outstanding concerns.

Only one thing can do that: an overt decision by the Serious Fraud Office not to proceed with its investigations into Mr Nadir and the alleged share support operation that is said to have buoyed up the company's share price over a number of years.

The SFO, even if it reached the conclusion that there is no case to answer, is not in the habit of making public statements on the progress of its investigations. But, as Mr Turgut Ozal, the Turkish president, will no doubt be stressing when he meets Mrs Margaret Thatcher, the UK prime minister, in this case maybe it should make an exception.

Turkey's three largest state banks - Ziraat, Emlak, and Vakiflar – will play an important role in any support operation for Polly Peck International, writes David Barchard.

All three banks are headed by men closely associated with President Turgut Ozal. The three banks were reported in Ankara to have built up their foreign exchange positions late last week, possibly in expectation of just such a move. Among private sector banks, Yapi ve Kredi was being mentioned as a possible participant.

However any government-backed loan to Mr Nadir would be politically expensive for President Ozal, inviting fierce criticism from opposition parties and the press, as well as from Turkish industrialists hard hit by the effects of Mr Ozal's free market policies.

Greek Cypriots to investigate Nadir

By Kerin Hope in Athens

THE CYPRUS police have launched an investigation of the activities in northern Cyprus of Mr Asil Nadir, chairman of Polly Peck International, on the grounds that the group's citrus, clothing and hotel operations there are illegally exploiting property owned by Greek Cypriots.

Officials said the investigation, ordered by the attorney-general's office in Nicosia, could lead to theft and conspiracy charges against Mr Nadir, a Turkish Cypriot who holds British and Turkish nationality.

Greek Cypriot officials, who have been gathering details of Polly Peck's operations in the northern half of the island for several years, say that if charges are filed, a request would be likely to follow for Mr Nadir's extradition from Britain. They admit that the decision to start a police investigation was influenced by Polly Peck's current difficulties in the UK.

It is claimed that most of the citrus processed and exported by Sunzest, Polly Peck's crop packing and marketing subsidiary in northern Cyprus, comes from groves in the Morphou district owned by Greek Cypriots who fled south during the 1974 Turkish invasion.

In addition, the bulk of Sunzest's potato growing acreage is Greek Cypriot-owned land, while the company's main crop-processing plants belonged to Cyprus farm co-operative organisations, according to Greek Cypriot officials. Recently constructed processing plants were built on Greek Cypriot-owned land, they said.

"There can be no doubt that this is an issue of trading in stolen property, exporting crops which rightfully belong to Greek Cypriots," said Mr Loukis Loucaides, the deputy attorney-general.

It is also alleged that Polly Peck's clothing subsidiary Wearwell has taken over a factory belonging to a Greek Cypriot company, Gazelle Enterprises, in the Nicosia Industrial Estate. Three hotels in northern Cyprus which were listed in Polly Peck's latest annual report are said to be Greek Cypriot-owned establishments, which have been renamed.

The Crystal Cove was the Zephyros Hotel belonging to Seashore Development and the Palm Beach was the Constantia, owned by Marangos Hotels. The Jasmine Court Hotel was part of a tourist development project by Pharos Estates.

The Turkish Cypriot authorities allegedly allocated two sites on the island's northern coast to Mr Nadir for the construction of tourist villages. The sites were among 150 parcels of Greek Cypriot-owned land which were handed over to Polly Peck, according to the Greek Cypriot officials.

Polly Peck's operations in northern Cyprus started in the early 1980s, when the fruit exporting business was established. Sunzest now accounts for almost two-thirds of farm exports from the northern part of the island.

Mr Nadir has also set up a technologically sophisticated printing and publishing company in Nicosia.

Polly Peck is now thought to employ about 8,000 people in northern Cyprus.

Barclays enters metals market

By David Lascelles, Banking Editor

BARCLAYS Bank is entering the non-ferrous metals markets by buying a member firm of the main metals exchanges, Deak International Trading (UK), which is a member of the London Metal Exchange, the London Bullion Market Association and the London Platinum and Palladium Market.

The price was a small premium over the firm's net assets of £13m.

The purchase was made by Barclays global treasury services division and is part of Barclays aim of expanding its commodities business. The firm will be renamed Barclays Metals Ltd, but will continue to trade as a separate unit in Plantation House.

Terry Hall adds from Wellington: Deak International Trading (UK) is one of the last remaining assets of Jarden Morgan, a Wellington-based merchant bank and investment group, which is undertaking a big asset sell-off following a NZ$78.6m loss in its March financial year.

Mr John Benton, Jarden's executive director, said the financial services group was on track for about NZ$100m in cash from the sales.

Mayflower cuts losses and sells Tri-ang

Mayflower Corporation reported lower taxable losses in the six months to the end of June of £190,000, against £338,000.

The figures included a loss of £486,000 by its Tri-ang offshoot, the sale of which has been agreed by shareholders.

Directors said that Ribbons and marketing services were profitable. Life assurance and pensions, however, fell into losses of £23,000 (£250,000 profit) as a result of high interest rates.

Turnover was £9.66m (£4.38m) of which Tri-ang contributed £2.17m (£2.05m). Tax of £67,000 (£83,000) left losses per share of 0.66p (2.35p).

IN BRIEF

NORTH AMERICAN Gas Investment Trust net asset value at the end of its first year on July 31 was 83.9p, against an initial value of 96.5p. Net revenue for the year was £1.1m (£1.53m) for earnings of 3.19p. The dividend is 3.75p, as forecast in the offer for subscription, with a recommended final of 1.5p.

THROGMORTON DUAL TRUST net asset value per capital share was 705p and per income share 33.4p at July 31 compared with 327.8p and 39.9p a year earlier, respectively. Net revenue for year to end-July was £1.96m (£1.87m) for earnings per share of 8.52p (8.13p). There is a proposed final payment of 6p for a total 8.75p (7.75p).

Kleinwort Benson to take 7% stake in French TV channel

By David Waller

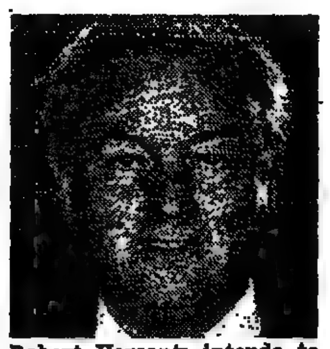
KLEINWORT Benson, the UK merchant banking group, is set to take a 7 per cent stake in La Cinq, the loss-making French private television channel.

The UK bank is one of three financial institutions backing Hachette, the leading French publisher, in its attempt to secure control of the television channel.

The three institutions will take a total stake of 20.1 per cent as part of a complex transaction by which Mr Robert Hersant, chairman of La Cinq, intends to reduce his own holding and cede control to the publishing group.

The transaction requires the approval of the CSA, the French broadcasting authority.

Kleinwort's investment in the loss-making company may raise eyebrows in the City.



Robert Hersant: intends to reduce his holding

The bank has recently suffered paper losses of £25m after it failed to place a 29.7 per cent stake in Premier Consolidated Oilfields in an abortive "bought deal" exercise.

The UK bank was unwilling to comment on the deal.

The reshuffling of shareholder interests is taking place because under French broadcasting law no one shareholder can own more than 25 per cent of a TV station.

Mr Hersant and his ally, Mr Jean-Marc Vernes, intend to cut their holdings from 25 to 10 per cent and from 22 to 4.1 per cent respectively, allowing Hachette to take its holding from 22 to 25 per cent while a further 20.1 per cent would be bought by Kleinwort and the two other institutions.

This would leave 25 per cent in the hands of Mr Silvio Berlusconi, the Italian entrepreneur which tried to win control of the channel earlier this year.

LAST WEEK'S CROSS BORDER DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Brierley Investments (NZ)	Mount Charlotte Investments (UK)	Hotels	£393m	Bid forced by Takeover code
Assurances Generales de France (France)	Cie d'Assurance de l'Escaut (Belgium)	Insurance	£157m	Non-core sale by UK's Pru
Holderbank Financiere Glaris (Switz)	Queensland Cement (Australia)	Cement manufacture	£91m	Unconditional offer at 12 times earnings
Alcoa (US)/ Kobe Steel (Japan)	KSL Alcoa Aluminium (jv)	Aluminium cans	£39m	Alcoa tries again in Japan
Procter & Gamble (US)	Fater Group (Italy)	Paper products	N/A	Nappy market consolidates
BankAmerica (US)	Interpayment Services (UK)	Travellers' cheques	N/A	Minority stake in Barclays sub
Barclays Bank (UK)	Merck,Finck (W Ger)	Banking	N/A	Prestige buy
Epeda-Bertrand Faure (France)	Rentrop (W Ger)	Car seats	N/A	Needs antitrust clearance
Epeda-Bertrand Faure (France)/Woodbridge (Canada)	jv	Car seats	N/A	EBF becoming world's largest in sector
Robert Bosch (W Ger)	Novatel Communications (Canada)	Cellular	N/A	Bosch buys half – speeds entry

Source: FT Mergers & Acquisitions International

Expansion and restructuring in financial services were highlights of the week, writes Brian Bollen.

Barclays' purchase of prestigious Munich-based private bank Merck, Finck emphasised the current focus on Germany within the European strategy of the UK's biggest bank. Just two weeks ago it announced an ambitious financial services joint venture with German retail store group Hertie.

Barclays is thought to be paying dearly for one of the dwindling number of independent German private banks, analysts estimating the cost to it at around £300m.

Barclays featured in another significant move, in the international travellers' cheque market. It agreed to sell to BankAmerica a significant minority stake in Interpayment Services, a marketing company it set up last year. The move will create one of the world's biggest issuers of travellers' cheques.

Prudential Corp, the UK's biggest life insurer, described its sale of Belgian subsidiary Cie de l'Assurance de l'Escaut to Assurances Generales de France as the sale of a non-core business rather than a retreat from Europe. Prudential plans to service the European market from London, according to UK regulations.

Few took seriously the cash offer made by Brierley Investments of New Zealand for the UK's Mount Charlotte Investments. BIL was forced by Takeover Code rules to make the offer after its purchase of a 10 per cent stake from the Kuwait Investment Office took its holding above 30 per cent.

Holderbank of Switzerland said its bid for Queensland Cement, one of Australia's three biggest cement makers, underlined the importance it attaches to diversification across the Pacific Rim.

BASE LENDING RATES

	%		%		%
ABN Bank	15	Coutts & Co	15	Northern Bank Ltd	15
Adam & Company	15	Cyprus Popular Bk	15	Nykredit Mortage Bank	15½
Allied Trust Bank	15	Dunbar Bank PLC	15	Provincial Bank PLC	16
Allied Irish Bank	15	Duncan Lawrie	15	R. Raphael & Sons	15
● Henry Ansbacher	15	Equatorial Bank plc	15	Roxburghe Bank Ltd	15½
Associates Cap Corp	15½	Exeter Trust Ltd	15½	Royal Bk of Scotland	15
● B & C Merchant Bank	15	Financial & Gen. Bank	15	Royal Trust Bank	15
Bank of Baroda	15	First National Bank Plc.	16½	● Smith & Williams Secs.	15
Banco Bilbao Vizcaya	15	● Robert Fleming & Co.	15	Standard Chartered	15
Bank Credit & Comm	15	Robert Fraser & Ptrs.	15½	TSB	15
Bank of Cyprus	15	Girobank	15	UniBank plc	15
Bank of Ireland	15	● Guinness Mahon	15	● United Bk of Kuwait	15
Bank of India	15	HFC Bank plc	15	United Mizrahi Bank	15
Bank of Scotland	15	● Hambros Bank	15	Unity Trust Bank Plc	15
Banque Belge Ltd	15	Hampshire Trust Plc	15½	Western Trust	15
Barclays Bank	15	Heritable & Gen Inv Bnk.	15	Westpac Bank Corp.	15
Benchmark Bank	15	● Hill Samuel	§15	Whiteaway Laidlaw	15
Brit. Bk of Mid East	15	C. Hoare & Co.	15	Yorkshire Bank	15
● Brown Shipley	15	Hongkong & Shangh	15		
CL Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	McDonnell Douglas Bnk	15		
City Merchants Bank	15	Meghraj Bank Ltd	15		
Clydesdale Bank	15	Midland Bank	15		
Comm. Bk of London Plc	15	Mount Banking	15		
Co-operative Bank	*15	Nat. Bk. of Kuwait	15		
		NatWestminster	15		

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COMPANIES AND FINANCE

Bramalea forced into C$220m write-down

By Robert Gibbens in Montreal

FALLING land values in metropolitan Toronto, Canada's largest city, have forced Bramalea, a big office, commercial and residential developer, to make a pre-tax write down of C$220m in the third quarter.

Bramalea, worth nearly $6bn, is controlled by the interests of Mr Peter and Mr Edward Bronfman of Toronto through Trizec Corp.

Rumours of the write-down led to sharp market losses in several Bronfman holding companies last week.

Bramalea reported a loss of $88.8m, or $1.01 a share for the first nine months, against profit of $49m or 68c a share a year earlier. Revenues slipped 16 per cent to $735m.

Property values have dropped an average 20 per cent this year in Toronto, mainly due to high interest rates.

The company has been rationalising and maximising its rental income, but expects poor results in the fourth quarter. It has delayed a US$400m office project in Chicago indefinitely.

■ The Federal government is pushing ahead with privatisation of Petro-Canada, the national oil company, just as the Iraq crisis pushes crude oil prices higher.

It hopes to bring down the required legislation in the Canadian House Commons in the few weeks weeks, while PetroCan continues to rationalise, including disposing of upstream assets in western Canada. PetroCan earned only C$25m on revenues of $2.7bn in the first half, down 50 per cent on a year earlier. However the second half earnings will gain from higher oil prices. Book value is about C$6.5bn.

Bond brewing sale completion expected

MR PETER LUCAS, who last week took over as chairman of Bond Corporation Holdings, yesterday said he expects the long-awaited A$1.8bn (US$1.5bn) sale of the company's Australian breweries to be completed today, Reuter reports from Sydney.

Bond Corp did not include the profit from the sale of its brewing arm when on Friday it reported Australia's largest corporate loss of A$2.25bn for the year ended June 30.

AGF to take stakes in state groups

By William Dawkins in Paris

ASSURANCES Générales de France (AGF), the second largest state owned insurer, has announced a 17.6 per cent rise in net income for the first half of the year and confirmed it was to take minority stakes in three government controlled industrial companies.

The share transfer will allow AGF, which has spent heavily on three European takeovers so far this year, to raise up to FFr1bn ($190m) on the equity markets, though it has no immediate plans.

It is the latest example of how state-owned companies have had to devise complex financial manoeuvres to raise capital without contravening the government ban on both privatisations and nationalisations.

AGF is to acquire shares in Pechiney, the aluminium group; Total-CFP, the oil company and Rhône-Poulenc, the chemicals producer.

In exchange, it will issue 3.6m new AGF shares to the French Government, on top of the 22m shares already in issue.

This will lift the government's stake in AGF from the statutory minimum of 75 per cent, up to 78.5 per cent.

This allows AGF to sell another 3.5 per cent of its shares on stock market, diluting the state back down to 75 per cent.

Turnover rose from FFr18.2bn to FFr22.7bn in the six months to June, representing a 24.8 per cent rise, of which 14.4 per cent came from new acquisitions.

A breakdown of turnover showed that the group's AGF international unit led the revenue advance in percentage terms with a 61 per cent surge to FFr5.3bn.

Revenue for reinsurance was up 14.6 per cent at FFr1.9bn while life insurance registered a 13 per cent advance to FFr7.7bn francs and casualty insurance was 5 per cent higher at FFr7.4bn.

Group profits rose from FFr1.63bn to FFr1.92bn, after FFr400m of losses from claims made as a result of damage inflicted by last autumn's storms in France and northern Europe. Investment income rose by 12.6 per cent, while profits on asset sales more than doubled from FFr1.6bn to FFr3.4bn. Most of the profits from those asset sales were used to pay for acquisitions.

The company pointed out that its previously reported sale of part of its stake in the portfolio company Pechelbronn would not appear on its accounts until the second half of the year, when it would generate an expected additional gain in the region of FFr1bn.

The group predicts that full year net profits will be above the FFr2.6bn reported in 1989, barring unforeseen circumstances.

Mondadori declines sharply

By John Wyles in Rome

THE BITTER battle earlier this year for control of Mondadori, Italy's largest publisher, provided a vivid backdrop for a poor first-half commercial performance, which saw the company's consolidated profits before tax and extraordinary items fall from L110.6bn ($94m) to L33bn.

Management control is now back in the hands of Mr Carlo De Benedetti, who was forced to give way in January to an alliance grouped around Mr Silvio Berlusconi. The company statement accompanying the results made no mention of the management upheavals, blaming the results on a sharp drop in advertising revenues and a rise in debt burden.

Group turnover rose by 14.3 per cent to L1,141bn, largely due to a 40.2 per cent rise in revenues from its local newspapers.

Manzoni, the group's publicity-gathering subsidiary, posted a 3.7 per cent rise in sales, after an 11.3 per cent drop in advertising income from the group's periodicals.

Ferfin net down 8% to L180bn

FERRUZZI Finanziaria (Ferfin), the ultimate holding company of Mr Raul Gardini's Ferruzzi-Montedison foods and chemicals conglomerate, has announced an 8 per cent fall in consolidated net profits to L180bn ($153m) for the first half of 1990 from L196bn a year earlier, AP-DJ reports from Milan.

Revenues amounted to L8,352bn, slightly down from L8,518bn.

Ferfin has also announced plans for a capital increase of as much as L1,500bn, the proceeds of which will be used for "the development and consolidation of the group's industrial activities, especially in the chemical sector", it said.

Although it did not specify the target of these fresh funds, at least part of them is likely to be used for raising Ferfin's quota of Montedison's previously announced L2,500bn capital increase in connection with its possible acquisition of a 40 per cent stake in Enimont, currently held by Ente Nazionale Idrocarburi (ENI).

Ferfin said net financial indebtedness totaled L8,981bn at the end of June, up from L8,077bn at the end of 1989, raising the debt-equity ratio to par from 0.87.

Consolidated gross operating profit slipped to L912bn from L1,020bn.

Frame hit by increased competition

By Philip Gawith in Johannesburg

RECESSIONARY economic conditions and increased competition from imports saw Frame, the South African textile giant, post a fall in profitability for the year to June.

Turnover advanced by 13.2 per cent to R984.3m ($384.4m) from R869.7m, but pressure on margins caused operating income to decline by 15.1 per cent from R81.8m to R69.5m.

During the year, two loss-making divisions – polypropylene bags and special fabrics – were closed. They made a combined loss for the year of R12.9m. The group also suffered from considerably higher interest and finance charges – R24.2m compared with R7.6m – due to higher borrowing levels as many customers delayed or cancelled orders and withheld payment of accounts.

Mr Mervyn King, executive chairman, said that difficult trading conditions had been exacerbated by serious labour problems, including a three-week strike, go-slows, work stoppages and violence in Natal.

The July strike would have an adverse impact on the first two months of the current year, he said. This, together with a gloomy economic outlook, led Mr King to predict that there would be little improvement in earnings for the year ahead.

Government sells Danish insurer

By Hilary Barnes in Copenhagen

THE DANISH government has sold the 148-year-old state life insurance company, Statsanstalten, to Baltica insurance, the insurance arm of the Baltica financial services group, for DKr3.4bn ($570m).

The final signatures on the deal were written on Saturday after an agreement between the ministry of finance and Baltica had been approved by the Folketing's (parliament's) finance committee after a late-night sitting on Friday.

The government asked for bids from Danish and international insurance companies in the spring. All the leading Danish insurers made offers.

The state company has about 25 per cent of the domestic market for life insurance and private pension policies, with some 300,000 policyholders and annual premium income of about DKr3bn. The sale by the state is hedged about with conditions which prevent the new owner from utilising profits which should be allocated to the policyholders.

However, there will be a courtroom sequel to the non-socialist government's biggest privatisation deal to date. Two socialist opposition members of the Folketing, who are also policyholders in Statsanstalten, are suing the government on the grounds that the sale of the company is unconstitutional.

The core of their argument is that Statsanstalten belongs to the policyholders, and is therefore not the state's to sell.

NEWS IN BRIEF

■ SARA LEE, the US food and consumer products group, is expanding its European knit products business with the purchase of Sans, Spain's leading manufacturer of underwear, writes Clay Harris.

Sans has annual sales exceeding $100m.

■ BCE, PARENT of Bell Canada and Northern Telecom, is to pay C$400m (US$348m) for a minority stake in Telefonos de Mexico, the operator of the Mexican telephone system now being privatised, writes Robert Gibbens in Montreal.

BCE, together with Nynex of New York, a regional Bell operator, and Inverlat of Mexico, a financial group, will bid for 20.4 per cent of Telmex in competition with two other international groups.

■ THE NEW Zealand Commerce Commission has ruled that Carter Holt Harvey (CHH) may keep its Printpac UEB packaging division following its takeover of Elders Resources NZFP, writes Terry Hall in Wellington.

The commission had made it a condition of the takeover that CHH undertake to sell Printpac UEB if it found that retaining it would result in increased market dominance.

The decision removes the last hurdle from CHH's takeover of all forestry and packaging operations of the former NZFP, which until 1985 was the country's largest forestry group.

■ IMASCO, the Canadian tobacco, fast food and retailing group 40 per cent held by BAT Industries of the UK, is making its first move into US financial services by buying control of a New York State savings and loan company, for US$150m, writes Robert Gibbens.

Williamson Tea Holdings plc
Chairman's Additional Remarks

Addressing the Annual General Meeting the Chairman, Mr R B Magor, said:

You will have noticed that the Accounts have been printed in a slightly different format from previously and now include our newly adopted elephant logo which will appear on all the Group's tea chests and sacks as well as on all its retail packets.

Since we went to press about a month ago the Gulf crisis has arisen and the 60 million kgs absorbed annually by Iraq are affected by the U.N. trade embargo. The latest figures on world production show an increase of approximately 94m kgs or 16% over the same period to the end of July.

It is always difficult to predict the future of tea prices and with the Gulf crisis and the Indian Tea Board's latest insistence on an export price that bears little relation to prices at other international selling centres - thereby apparently contradicting the Indian Government's policy of encouraging and promoting exports - it is quite impossible to do so and I do not propose to try.

Since the publication of the Accounts we have heard that the Reserve Bank of India has approved the revaluation of the fixed assets of our Indian subsidiary as at the 1st April 1990 from Rs.53 crores to Rs.124 crores which represents an increase of approximately 134%. However, as anticipated the Reserve Bank have confirmed that the excess value of the assets arising out of the revaluation will not be taken into account for the purpose of valuation of shares to be disinvested by the company's non-resident shareholders.

I visited Kenya last month and am pleased to report that our estates and businesses are progressing satisfactorily. I was glad to be present when my wife laid the foundation stone of our new office block in the centre of Nairobi which we are building in concert with various other institutions. This will provide us with an additional income and should also prove to be an appreciating asset.

Sadly the political situation in Assam, which I visited in the spring, has not improved and indeed if anything security has deteriorated. Unrest by the United Liberation Front of Assam continues and it is difficult to foresee quite what the future may bring but perhaps after the State Elections which constitutionally must be held before December, the position may be clearer.

As mentioned in the Report we are continuing to make progress in our retail tea sale operations in the U.K. I believe this is because we place such great emphasis on the high quality of the teas we market and I hope in a small measure that this may improve the image of teas marketed in the U.K. You will have received a leaflet with the Accounts giving details of a special offer for these teas of which I hope you will have taken full advantage.

As far as prospects are concerned, the outlook remains uncertain. Lower prices outside India, combined with the continuing devaluation against Sterling of the Indian Rupee and Kenyan and Tanzanian Shilling, indicate that the profit for the year ending 30 March, 1991 will be less than that of the period under review.

Finally I would like to endorse most strongly my remarks in my Chairman's Statement in the Accounts referring to our staff overseas. They are working in the most difficult conditions, particularly in Assam where they live under the shadow of violence. They deserve our warmest thanks and admiration for their efforts as it is not pleasant when a knock on your door may be the harbinger of extortion, murder or kidnap.

The report and accounts were adopted.

INTERNATIONAL CAPITAL MARKETS

UK GILTS

Rosier outlook amid dour trading

THE MICAWBERITE tendency held the upper hand in the gilt-edged securities market last week. The market ended Friday on a dour note, with trading thin and prices for many gilts slightly lower than at the beginning of the week.

However there was an overriding sentiment in the market that something would come up to make the outlook for gilts rosier. This went beyond pure optimism. Despite the poor state of gilts trading, a number of factors promise to boost the market in the coming months.

First, there is overwhelming evidence that the UK economy is sliding into recession. That should ultimately – though the debate still blows hot and cold as to when this will be – force down interest rates. At the same time, the results of the recession will force down the value of equities, as has already become apparent from the recent profits slowdown of a number of leading companies. That should reverse, at least for a limited period, the trend of the past decade in which gilts have underperformed equities substantially.

A second cause for optimism in the gilt market is that the government will probably issue new gilts within the next year – perhaps within the next six months – to raise much-needed cash. That would give the market new impetus by increasing trading levels, even though prices for some gilts of different durations might go down, at least initially.

The last time new gilts hit the market was in October 1988. New gilts would end a long and difficult spell for traders caused by lack of new securities. Because of the Treasury's programme of recent years of paying off debt rather than borrowing, it has had no need to issue gilts, but has instead been a net buyer of the securities. However, in recent months the government's revenue position has looked a lot less strong. That has been partly due to increasing public expenditure, and to the lower taxes likely as a result of the recession and the reduced company profits.

Another factor is military spending in the Gulf, which could top £1bn this year. Some of this cash will be recouped in what is probably the only positive effect of the Middle East imbroglio from the government's viewpoint: a higher tax rake-off from increased oil prices, from the UK's North Sea production.

Even though the Treasury is forecasting a £7bn debt repayment this financial year, the figure is likely to be much lower. In 1991-92 the state will probably need to be a net borrower once more, underlining the need for more gilts.

The final cause for a muted amount of optimism among gilt traders is that gilts have the benefit of stability. In any crisis, investors tend to put their money into instruments which have been around for a while, and which have a certain dependability.

Since the first gilt-edged UK government bond was issued in 1694, the British government has never defaulted on one of its securities. That says a lot for the UK's good long-term record in winning important wars and steering through crises. Whatever happens in the Middle East in the next few months, gilts should come through reasonably unscathed.

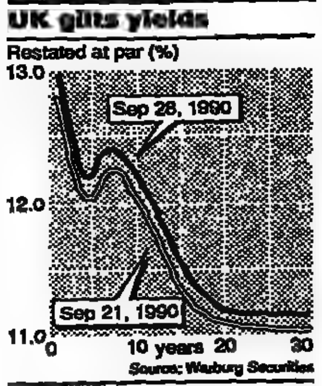
On Friday night, the Treasury benchmark 2008 stock closed at 83¾, ¼ of a point down on the previous week. The yield was 11.2 per cent, against 11.07. The trend towards higher yields was against the movement of the previous two weeks.

Gilt traders, however, will be looking for an improvement across the yield curve in the coming weeks, with most of the gains likely to come from the shorter end of the market.

Peter Marsh

UK gilts yields

Restated at par (%)



Source: Warburg Securities

FRENCH GOVERNMENT BONDS

Investors lack courage to narrow spread

THE FRENCH government bond market strengthened slowly, though measurably, last week, but the general tone remains one of almost unalloyed pessimism.

The spread between French government 10-year OATs and West German Bunds, which has widened sharply since the invasion of Kuwait, remains around 150 basis points.

Most investors acknowledge this gap to be unnecessarily wide, given that France's inflation rate is only 0.6 of a percentage point higher than West Germany's, but they have not mustered the courage to narrow it. This is despite nudging from the French finance ministry, which has swapped FFr2bn of fixed-rate funds raised in its September bond auction into floating-rate money.

Mr Christopher Potts, Banque Indosuez economist, attributes a faster decline in the French bond market over the past two months to technicalities, rather than economics.

Big foreign swing investors, he says, had already left the German market in February, leaving domestic buyers, attracted by high coupons, to make the running since the Gulf crisis. Conversely, in France foreign institutions were over-invested at the time of the crisis, and there is not enough retail interest to pick up the slack.

"German residents will buy bonds at 9 per cent because their alternative is a bank deposit at 5 per cent, maximum. French residents have short-term instruments available at 10 per cent, so why should they buy long at 10.5 per cent?" he asks.

On this argument, the French market should be one of the biggest beneficiaries if the Gulf crisis should abate and the markets turn upwards again. OATs currently yielding 10.7-10.8 per cent are a bargain.

While many would subscribe to this logic, few seem ready to take the short-term risk in current circumstances. Such buyers as are to be found for French bonds are simultaneously selling DM bonds, Canadian dollars or shorter-term franc instruments, rather than taking new positions.

"If the market really believed in a rise six months out, you would already be seeing it in the Matif [long bond future]", says one dealer.

"It is clear that 10.7 per cent is a medium-term buying opportunity, but in the short term, absolutely anything might happen," adds Mr Bernard Godement, Nomura Research Institute economist.

A crucial test for the OAT market will come on Thursday, with the regular monthly bond auction. In the first nine months of the year, the Trésor issued FFr82.56bn of OATs, net of those paid for with renewable ORT bonds, and some dealers are expecting a further FFr10bn this week to keep the Trésor comfortably covered for a borrowing target of FFr90bn to FFr110bn for the full year.

George Graham

NRI TOKYO BOND INDEX

December 1985 = 100	27/9/90	Average yield (%)†	Last week	12 wks ago	26 wks ago
	PERFORMANCE INDEX				
Overall	140.47	8.49	140.58	145.80	142.05
Government Bonds	136.97	8.41	137.11	143.54	139.86
Municipal Bonds	141.84	8.68	141.92	147.89	143.39
Govt.-guaranteed Bonds	145.01	8.73	145.09	150.36	145.66
Bank Debentures	139.73	8.79	139.65	142.82	139.50
Corporate Bonds	143.51	8.70	144.38	148.64	145.73
Yen-denom. Foreign Bonds	149.52	8.82	149.29	154.61	151.75
Government 10-year†	7.93		7.83	6.73	6.83

† Estimated par yield

Source: Nomura Research Institute

US MONEY AND CREDIT

Interest rates top Fed committee list

THE FEDERAL Reserve's Open Market Committee (FOMC) meets tomorrow for what promises to be one of the most difficult sessions in many months.

The increasing likelihood of war in the Gulf has sent oil prices up to nearly $40, with a rise of $4.08 last week alone. That, according to Mr Wayne Angell, a Fed governor, argues against easing interest rates on the grounds that such a move could lead to even sharper adjustments later.

On the other hand, the US economy is teetering so obviously on the brink of recession – witness the downward revising last week of second-quarter real GNP growth from 1.2 per cent to a nearly invisible 0.4 per cent – that some easing of rates seems incumbent on the US central bank.

The Fed knows that the annualised rate of real GNP growth in the 12 months ended on June 30 is a mere 1 per cent. The Iraqi crisis, however, continues to distort matters grotesquely, bringing oil-driven inflationary fears ahead of even the gloomiest indicators at hand.

While Mr George Magnus of S. G. Warburg reckons that a one-off easing in monetary policy is possible in response to a budget reduction package, he also points out that the Fed appears to be more worried about inflation than is generally perceived.

Meanwhile, capital continues to dry up. "The incipient credit crunch," note the analysts at Salomon Brothers, "will be the last nail in the coffin of a weakening US economy." Salomon points out that mounting concerns about credit quality are beginning to spread from banks and other financial institutions to non-financial businesses, raising their cost of capital.

Mr Jim Grant, the New York interest rate watcher, says that the grim decline in the Tokyo stock markets has hit the capital ratios of Japanese banks, meaning that even the capital-rich Land of Nippon is no longer to be counted upon for liquidity.

Mr Alan Greenspan, the Federal Reserve chairman, said while the risk of recession had increased there was "no evidence" that the economy was tilting into recession. Mr Greenspan's fears about the inflationary pressures caused by oil prices may be reasonable enough, but he appears to be the only person in the US still willing to stand up and say there is no evidence the economy is slipping into recession.

The economists at Donaldson, Luscin and Jenrette, for example, say the US economy actually entered into a recession in August.

Mr Richard Rosenberg, chairman of the Bank of America, said that while the US may not be in recession under the terms of the classic definition, his recent talks with BofA customers suggests that "a recession is what it feels like".

Further signs of recession and hopes of a budget accord in Washington spurred a bond market rally late last week. By Friday's close the 30-year benchmark US Treasury bonds were yielding 8.94 per cent, down from 9.12 per cent a week before.

Even if a budget package were to produce an FOMC decision to ease monetary policy – a substantial "if" given Mr Greenspan's attitude – the consensus view on Wall Street is that events in the US will dominate the new term anyway. As Mr Robert Brusca of Nikko Securities put it: "Any budget deal rally is a true dead-end affair."

So what, then, will the FOMC decide tomorrow? The answer is perhaps nothing at all, the familiar decision to leave monetary policy unchanged. Such a decision would certainly not sit well with the Bush administration and the Republican Party, which is going into important November mid-term elections. Political considerations aside, however, no decision would at least confirm the widening view that Mr Greenspan's inflation fears do indeed rule über alles.

Never mind the mounting plant closures, manufacturing industry and banking lay-offs, slashed bank dividends and rising real estate loan losses. Never mind the expected sluggish employment figures due out on Friday. The oil factor seems to have mesmerised the Fed.

In fairness to Mr Greenspan, it has to be said of course that the oil factor is quite a mesmerising affair. Last Friday's price of $39.51 was twice the level of just before Iraq's invasion of Kuwait and treble the lowest level of 1989. And oil shocks, as the experience of the 1970s showed, are nasty.

Alan Friedman

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (lost weekly av)	8.39	8.13	7.93	9.92	7.94
Three-month Treasury bills	7.34	7.59	7.36	4.11	7.20
Six-month Treasury bills	7.51	7.72	7.28	9.37	7.18
Three-month prime CDs	8.19	8.22	7.95	10.35	7.65
30-day Commercial Paper	8.15	8.07	7.97	9.95	7.87
90-day Commercial Paper	8.05	7.95	7.95	10.05	7.70

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wks ago
Seven-year Treasury	99¼	+½	8.68	8.84	8.67
20-year Treasury	99¾	-2¼	8.80	9.16	n/a
30-year Treasury	99⅞	+3¾	8.94	9.12	8.90

Money supply: In the week ended September 17, M1 rose by $0.2bn to $820.7bn

FT/AIBD INTERNATIONAL BOND SERVICE

[illegible]

STRAIGHT BONDS: Yield to redemption of the bid-price. Amount issued is expressed in millions of currency units.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn = current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price.

Closing prices on September 28

INTERNATIONAL CAPITAL MARKETS

SYNDICATED LOANS

Hard sell pays off for power companies

NOW THAT the dust has finally cleared on the deals for the UK's soon-to-be-privatised electricity companies, the message appears to be that, in today's climate, selling by sheer brute force does pay off.

All syndicate officials will elaborate on the difficulties of marketing a deal under current conditions and, amid a whole raft of financing for the electricity companies, it has been even tougher to differentiate individual credits.

Those that have succeeded – all on extremely fine pricing – appear to have done so by a combination of hard selling, cajoling, and even company threats that banks not in syndicated deals will miss out on follow-up business altogether.

Manufacturers Hanover, whose facility for East Midlands was the most tightly priced of all, appears to have got the deal away with an aggressive marketing campaign and some persuasion from the company itself.

Some deals have mined a seam of demand with Eastern and Northern both being over-subscribed, although in others such as Southwestern Electricity, underwriters were left holding more than they had bargained for.

Syndication difficulties with National Grid and Southern Electricity have been well charted. NatWest, which is the arranger for both deals is tight-lipped about their current status, amid rumours that Southern will be forced to offer some sort of repricing when it meets bankers at a presentation next week.

The bank will say that it has attracted five banks into the Southern deal, in addition to the six-bank group of underwriters. In addition, National Grid has 10 confirmed participants on top of the underwriters and NatWest is waiting for a couple of banks to respond before syndication closes.

National Grid is understood to be emphasising the sort of ancillary business banks can expect if they are involved in the syndicate for its facility in a bid to get them involved. New borrowings for the company are estimated in the region of £100m to £150m a year, and National Grid is understood to be pointing out to banks that it does plan some project financing as part of its funding needs. In addition, it has a significant foreign exchange portfolio to manage.

The company was forced to alter its pricing by offering an increase in upfront fees of five basis points, as well as shortening the maturity for the portions that underwriters have sold down from seven years to five.

The company is believed to be looking for 25 names in its deal as part of an effort to establish a relationship with a broad, deep base of banks. It is understood to be eager to gain a reputation as being fair with its terms, but not generous.

Indeed, the electricity companies as a group should be satisfied with the cost of funding they have achieved amid extremely difficult market conditions, where prices of deals are rising by the day.

Syndicate managers estimate that the cost of financing has risen by 40 to 50 per cent over the past few months. At the same time, prices available for deals are remaining on the table for a matter of only days rather than four to six weeks previously.

Several companies are looking to come to the market before prices rise further, but many banks are wary of bidding on deals in such uncertain times. NatWest is understood to be having difficulties in syndicating a £50m facility for Wace Group, a design and typesetting firm, which is being offered to the market at a margin of 32½ basis points.

Deborah Hargreaves

EUROMARKET TURNOVER ($m)

Primary Market	Straights	Conv	FRN	Other
US$	1,023.2	0.0	3,220.0	10,784.5
Prev	1,332.2	40.0	262.0	14,417.3
Other	1,739.0	2.6	662.2	5,726.5
Prev	1,213.7	0.0	370.8	6,371.8
Secondary Market				
US$	20,902.8	905.9	11,160.6	7,064.2
Prev	16,403.1	717.8	3,646.1	7,940.0
Other	30,469.9	1,217.3	3,102.0	33,336.7
Prev	19,077.8	1,052.9	4,954.1	32,224.8

	Cedel	Euroclear	Total
US$	19,677.4	43,923.8	63,601.2
Prev	17,048.6	29,666.8	46,715.4
Other	26,538.0	41,726.3	68,255.3
Prev	24,444.2	40,431.2	64,875.4

Week to September 27, 1990 Source: AIBD

INTERNATIONAL BONDS

Gulf crisis deals body blow to volume in shaky market

AN ALREADY subdued and trendless Eurobond market was dealt a body blow by Iraq's invasion of Kuwait, just as the pace of issuance was expected to pick up.

The paucity of new issues during summer left the league table of top issuers little changed from the end of June.

For the year to the end of September, every big house has seen a drop in volume of business over the same period in 1989, according to figures from IFR Bondbase.

For some institutions the decline is dramatic: Bankers Trust, for example, has led 31 issues so far this year against 62 issues in the first nine months of last year. Yamaichi led 20 issues against 59 issues. Nomura, perhaps the most diversified of the Japanese securities houses, saw its new issue volume fall from 110 issues in the first nine months of 1989 to 75 so far this year.

During the difficult last quarter, the two houses showing most improvement have been Merrill Lynch, climbing from 12th to 6th in the table, and Yamaichi, climbing to 12th from 27th.

Other than the paralysing effect of the Gulf crisis, perhaps the most prominent feature of the past three months has been the issue of $4bn of subordinated floating-rate notes by Japanese banks, to keep within capital adequacy standards prescribed by the Bank for International Settlements. The need to bolster balance sheets led the Japanese Ministry of Finance to relax its strict stance on the issue of subordinated paper.

The initial flood of subordinated floating-rate notes has slowed to a trickle as the market struggles to absorb the new paper. However, the underlying commercial pressures on the world banking sector remain acute and more issues are sure to follow. Not only the leading banks have been forced to tap the market, as seen by last week's $100m 10-year subordinated issue by Ashikaga Bank through Nikko Securities.

Despite the weakness of the Nikkei stock market index, Japanese equity-linked deals have continued to come since the market was reopened in July, albeit at a far slower pace than in the past. There were 40 Eurodollar warrant issues launched in the last quarter, with a value of $8.5bn, against 47 issues with a value of $11.9bn for the same 1989 period.

This has at least underpinned the trading position of the top Japanese issuing houses including Nomura, Nikko, Daiwa and Yamaichi. For example, of 12 issues led by Yamaichi in the last three months, six have been dollar-denominated warrant deals.

However, Nikkei weakness and long-term economic uncertainty have also led to the development of new "marketing" features in equity-linked deals, such as the reset feature built into last week's $150m issue by Niigata Engineering through Yamaichi International.

The feature allows the issuer to refix the exercise price downwards halfway through the four-year life of the bond and has now been included in two new issues. For issuers themselves, coupons have moved out from 4¾ per cent before the Gulf crisis to 5¼ per cent at current levels.

One area of relative strength over the past quarter has been renewed demand for Australian dollar paper, with 26 bond issues in the last quarter valued at US$1.5bn, against 18 issues valued at US$900m for the same period last year.

New demand has emerged from Japan, from investors hoping that the Australian dollar will benefit from the country's relative independence from Middle Eastern oil imports. Other demand has come from the high rate of redemptions in the sector, although only about 50 per cent of redemptions have been reinvested in the year to date as retail investors switch into short-term deposits.

A feature of the Eurobond market overall has been the shift in focus to shorter maturity issues as investors move to the shorter end of the yield curve in the face of economic uncertainty. However, redemptions in the Australian dollar sector are forecast to reach A$8.4bn next year, only a shade below this year's level, and should maintain demand for Australian dollar paper.

Since the "jumbo" Ecu issues from the World Bank and Republic of Italy in the second quarter, the sector has benefited from increased liquidity. There were 12 Ecu issues in the last quarter, with a value of $2bn. The breadth of the market was increased with the issue of the first Ecu denominated variable rate note by Banesto, the Spanish bank, via Merrill Lynch.

Simon London

TOP EUROBOND LEAD MANAGERS

	First nine months of 1990				First nine months of 1989			
Manager	$bn	Rank	%	Issues	$bn	Rank	%	Issues
Nomura Int.	11.74	1	9.68	75	2.53	(1)	15.47	110
Credit Suisse	7.50	2	6.19	35	7.41	(6)	4.53	45
Deutsche Bank	6.47	3	5.34	41	7.95	(5)	4.85	45
Morgan Gty.Trust	5.62	4	4.64	22	6.43	(7)	3.93	33
Daiwa Securities	4.92	5	4.06	37	1.19	(3)	7.28	51
Merrill Lynch	4.51	6	3.72	34	5.34	(9)	3.30	37
Paribas	4.47	7	3.69	20	4.69	(10)	2.88	33
Nikko Securities	4.44	8	3.67	27	1.40	(2)	8.56	44
UBS	4.34	9	3.58	16	3.05	(14)	1.86	25
Salomon Brothers	4.18	10	3.45	10	4.23	(12)	2.58	22
IBJ	3.22	11	2.66	30	2.79	(15)	1.70	38
Yamaichi	3.11	12	2.57	20	1.14	(4)	6.98	59
Goldman Sachs	2.66	13	2.20	13	3.07	(13)	1.87	24
SBC	2.52	14	2.09	15	-	-	-	-
Bankers Trust	2.52	15	2.08	31	5.29	(8)	3.23	63
Credit Lyonnais	2.48	16	2.05	16	2.45	(17)	1.50	18
CCF	2.44	17	2.01	18	-	-	-	-
Midland Bank	2.24	18	1.85	14	2.02	(20)	1.23	18
Hambros Bank	2.16	19	1.78	32	2.17	(18)	1.32	37
Commerzbank	2.05	20	1.69	12	-	-	-	-
Industry totals	†121.27			865	164.90			1175

† Preliminary Figures – Full credit to book runner

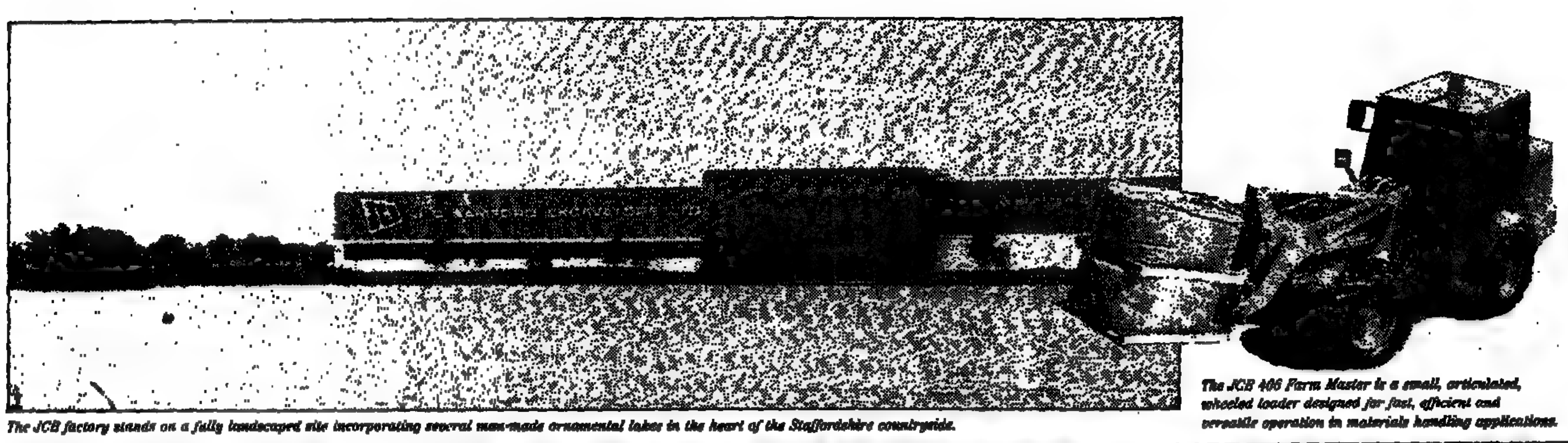
Source: IFR BONDBASE

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Credit Local de France‡♦	100	1997	7	(d)	100	Credit Lyonnais Euro-Sec	-
Mitsui Eng.& Shipbuilding♦	330	1994	4	5	100	Nomura Int.	5.000
Mutoh Ind.¶♦	100	1994	4	5	100	New Japan Secs.	5.000
Shimano Industrial Co.¶	200	1994	4	(5⅛)	100	Nikko Secs.Co.(Europe)	-
Ashikaga Bank‡♦(h)	100	2000	10	(a)	100	Nikko Secs.Co.(Europe)	-
Niigata Eng.Co.¶(j)	150	1994	4	5	100	Yamaichi Int.(Europe)	5.000
Nippon Columbia Co.Ltd.¶	100	1994	4	(5⅛)	100	Nomura Int.	-
Toyota Motor Credit Corp.(u)	250	1993	3	9	101.47	CSFB	8.423
Marubeni UK Plc(n)	52	1995	5	9.4	101¾	Yamaichi Int.(Europe)	8.951
Corimon Int.Fin(v)	35	1995	5	10¼	90.35	Merrill Lynch Int.	12.988
RSVP City Ltd♣♦(w)	271	(y)	-	(x)	-	Goldman Sachs	-
Trips Ltd.‡♦	70	1992	2	(z)	100.10	Toyo Trust Int.	-
IBJ Leasing Hong Kong♦	30	2000	10	9.7	102	IBJ Int.	9.388
Yoshida Int.Fin.BV.♦	30	2000	10	9.7	102	IBJ Int.	9.388
AUSTRALIAN DOLLARS							
Peninsular & Oriental♦	100	1995	5	14.8	102	Samuel Montagu & Co	14.214
Nat.Australia Bk.♦	60	1994	4	14	101¾	Dresdner Bk. AG	13.407
ABB Finance Inc.(d)	100	1995	5	13¾	101.40	Deutsche Bk.Cap.Mkts.	13.349
World Bank♦	100	1995	5	13½	101.15	Hambros	13.172
D-MARKS							
Nippon Zeon Co.¶(d)	160	1994	4	5⅛	100	Deutsche Bank	5.250
SWISS FRANCS							
Shibaura Eng.Works★★¶(a)	50	1995	-	5¼	100	Nomura Bk(Switz)	5.250
Houtoku Co.★★§(b)	25	1995	-	4¾	100	Nomura Bk(Switz)	4.750
Nippon Kasei Chemical¶(c)	60	1995	-	5¼	100	SBC	5.250
Eurofima♦	150	2002	-	7⅛	100½	SBC	7.062
Sintokogio Ltd§(k)	60	1995	-	4¾	100	Bank Leu	4.750
EIB♦(l)	150	2001	-	7¼	100¾	UBS	7.140
Ana Real Estate Co.♦§(o)	62	1995	-	4⅞	100	Nikko (Switz) Fin.Co.	4.875
Okura & Co.§♦(p)	60	1995	-	5	100	Yamaichi Bk(Switz)	5.000
SNT Corporation§♦(q)	40	1995	-	5	100	Handelsbank NatWest	5.000
Fujikura Rubber§(r)	30	1995	-	5	100	Nomura (Switz)	5.000
Seiren Co.§♦(s)	120	1995	-	5	100	Bank Leu	5.000
City of Yokohama♦	100	2000	-	7¼	101¼	Banque Paribas(Switz)	7.001
Canon Copier Sales Co.§♦	60	1994	-	5	100	BSI	5.000
FRENCH FRANCS							
CCF♦(m)	500	1992	2	13½	100.77	CCF	13.038
LIRE							
IBM Int.Fin. NV♦(d)	150bn	1994	4	12.75	101½	BCI	12.254
STERLING							
Brad.& Bingley B.Soc‡♦(g)	150	1997	7	(e)	100(f)	CSFB	-
BHH Int.Fin.Plc.‡♦(i)	90	1995	5	(c)	100	Paribas Cap.Mkts.	-
ECUs							
Ex-Im.Bk of Japan♦	200	1995	5	10⅝	101⅝	Paribas Cap.Mkts.	10.187
GUILDERS							
BNG♦	1bn	2002	12	zero	36.25	ABN-Amro Holding NV	-
LUXEMBOURG FRANCS							
Postipankki♦★★	500	1996	6	10⅛	101.65	Credit Europeen	9.749
Sparekassen Nordjylland AS♦★★	750	1994	4	10⅛	101.85	Credit Europeen	9.763
Nordbanken Lux.♦★★	500	1995	5	10¼	102	Kredietbank	9.726
YEN							
Nordbanken♦	8bn	1993	3	8½	101.3	LTCB Int.	7.996
ABDIJ NAT.2nd CAP.B.V.♦	5bn	1999	9	(t)	93.375	NKK (Europe)	-
Kredietbank Int.Fin.NV‡♦(a2)	3bn	1991	1	(a1)	100⅞	Mitsubishi Fin.	-
Kredietbank Int.Fin.NV‡♦(a2)	2bn	1992	2	9.0	100⅝	Mitsubishi Fin.	8.646

♦Final terms. ‡Floating rate note. ¶With equity warrants. ★★Private placement. §Convertible. ♣Variable rate note. a)Callable from 11.4.93 102½% declining at ½% semi-annually. b)Put option 31.5.93 110⅞% to yield 8.409%. c)Callable 11.4.93 101½% declining ¼% semi-annually. d)Non-callable. e)3-month Libor + 8bp. f)Fixed reoffer at 99.80. g)Callable at par from Oct.1995, then at coupon date. h)3-month Libor + 35bp for first 5 yrs + 45bp thereafter. i)Call option after 8 yrs at 100⅛%. j)Exercise price can be revised downwards after 2 yrs if higher than equity price. k)Non-callable. Put option 31/3/93 at 110¼ to yield 8.514. l)Call option after 9 yrs at 100¾. m)One coupon payment on maturity, giving total repayment at 113.50%. n)Short first coupon. Non-callable. o)Put option 31/3/93 at 110¼% to yield 8.703. p)Put option 31/3/93 at 109½% yielding 8.562. q)Put option 31/3/93 at 109½ yielding 8.552%. r)Put option 31/3/93 at 109.25 yielding 8.547%. s)Put option 31/3/93 at 109½ yielding 8.55%. t)Coupon currency linked to Yen /A$ 2 days before payment date. u)Fixed reoffer price at 100.20. v)Fixed reoffer. Non-callable. w)Puttable to underwriter following remarketing quarterly up to a maximum of Libor + 75bp. x)Libor + 25. y)2006/2046. z)6-month Libor + 40bp. a1)First 3 months Yen Libor + ⅛ thereafter Yen Libor + 2%. a2)Two tranche issue. Non-callable

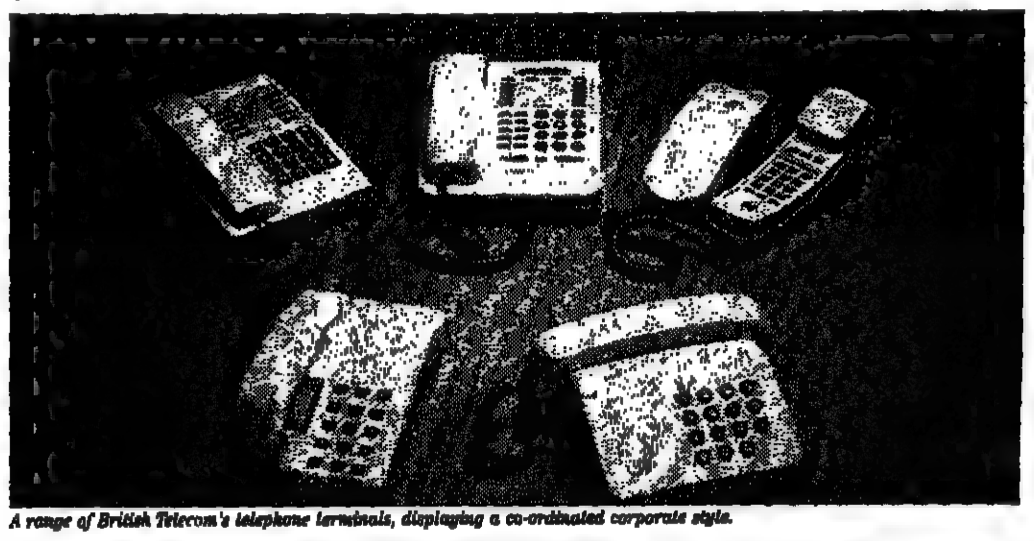
Awarded for design excellence



The JCB factory stands on a fully landscaped site incorporating several man-made ornamental lakes in the heart of the Staffordshire countryside.

The JCB 406 Farm Master is a small, articulated, wheeled loader designed for fast, efficient and versatile operation in materials handling applications.

BAA's airport shops now offer an enormous choice of branded goods, attractively presented. Newcomers in Heathrow's Terminal 3 include Harrods and The Scotch House.



A range of British Telecom's telephone terminals, displaying a co-ordinated corporate style.

Railfreight's distribution livery, showing depot marker plate.

The Financial Times/London Business School Design Management Award is unlike other design awards in that it recognises organisations which have established comprehensive policies for the *management* of design across their products, services, environments and communications, and which are seen to be effective in carrying this out. The award is not given for the design of individual products, services, buildings and communications.

The judges chose JCB as the 1990 winner because of the success the company has shown in the implementation of an effective design management policy. This design management philosophy has helped JCB to become one of the UK's leading engineering exporters with an international reputation for quality.

Three other companies were commended for the quality of one aspect of design management: BT for the management of product design – especially in its relations with suppliers; BAA for its environmental design – in particular the retail areas; and Railfreight for its corporate identity.

The fact that the winner and runners-up were drawn from such diverse areas of British industry underlines the relevance of design management to all companies, no matter what their discipline.

FINANCIAL TIMES / LONDON BUSINESS SCHOOL

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FINANCIAL TIMES SURVEY

INTERNATIONAL DESIGN

Monday, October 1, 1990

The international design industry is in a state of flux. Many consultancies are now paying the price for their over-ambitious expansion programmes in the 1980s, as **Alice Rawsthorn** explains here.

An industry in the melting pot

THE DAYS when the design industry was an optimistic sector, swept up in wave after wave of acquisitions, now seem a long way away.

Today the industry is far from optimistic. The economic slowdown in the US and UK has depressed the demand for design in those markets. At the same time some of the aspirant international design groups of the 1990s are paying the price for their over-ambitious expansion in the 1980s.

Landor Associates in San Francisco has been bought by Young & Rubicam, the New York-based marketing group. Conran Design, the London consultancy, has been sold to RSCG, the Paris advertising agency. Fitch, the London retail design group, recently announced a sharp fall in profits.

Addison, another London company, has staged a management but-out from its old parent. Siegel & Gale, the New York identity specialist, has just been rebuffed in its attempt to buy itself back from Saatchi & Saatchi, the embattled communications company. Wolff Olins, the leading London identity firm, is reported to be up for sale.

Meanwhile, Michael Peters, once one of the most dynamic design consultancies in London, became the sector's most spectacular casualty by going into receivership this summer. The receivers have since sold the original Peters design business to Craton Lodge & Knight, a product-development group.

The crux of the problems of almost all these companies is that they expanded too far, too fast in their attempts to make a mark on the global design market. The expansion of the 1980s has left them with fragile finances, heavy debts and hefty earn-out commitments.

"The fact of the matter is that, so far, the design companies that have attempted to go international have not made a great success of it," said Wally Olins, chairman of Wolff Olins. "And that includes ourselves."

But it would be wrong to dismiss design as a sector which has over-stretched itself in a misguided attempt to become an international industry.

After all, not all the international design consultancies are struggling. The buoyant European design market has provided a useful source of new income for the US and UK design groups this year as their domestic markets have dried up. Fitch has been sheltered from the problems of its original UK businesses by the strong performance of Richardson Smith, its successful subsidiary in the US.

Moreover there is a genuine – and growing – demand for the services of global design groups. The activities of the companies that commission design projects are becoming increasingly international. These companies want to work with design consultancies that can service them across all the markets where they operate. Yet relatively few consultancies are really capable of offering such a service.

It was this imbalance between demand and supply that drove the design industry's international expansion in the 1980s and which will dominate its development in the 1990s. The industry now faces the challenge of proving that it is capable of turning itself into a truly international industry.

One of the main obstacles for the industry has been its own structural weakness. The industry is highly fragmented, even in the more mature markets. There are more than 6,250 design consultancies in the US – the most mature market of all – yet fewer than 100 employ more than 20 people.

The industry will continue to be fragmented for the foreseeable future because, despite the advances in computer-aided design, as it costs next to nothing to set up in business as a designer. This means the market will still be destabilised by small, start-up firms fighting for new business and putting pressure on renumeration.

The preponderance of small companies has also left a legacy of weak management and poor financial controls. These deficiencies are not so serious for small companies operating in a buoyant domestic market, but they can be devastating as Michael Peters discovered, when replicated on a larger scale by an international consultancy operating in a depressed market.

Similarly, the difficulty of finding high calibre staff in an immature industry is aggravated when design companies also need to hire people with international experience and language skills – "recruitment is still the biggest single problem for an international design company," says Alan Brew, chairman of Landor Europe. "There are just not enough good people around."

The international design groups have also yet to resolve the question of how to structure their international operations. Some consultancies favour establishing full-scale offices offering creative and strategic resources in all their major markets. Others, baulking at the cost, have settled for smaller scale sales offices or strings of affiliates.

"It is a dilemma," says Alan Siegel, chairman of Siegel & Gale. "We really do need to be present in our major markets. But design businesses are difficult to manage at scale. They tend to perform best as compact operations."

But the overriding problem for the industry is the sheer cost of establishing and maintaining a network of international offices. This is a problem that affects all industries, but it is compounded in the design sector by the erratic flow of revenue and lengthy payback periods for investment.

Fitch, which recently opened sales offices in Düsseldorf and Madrid, expects them to break even this year but does not anticipate meaningful profits until 1992 at the earliest. Walker Group:CNI, the New York retail consultancy, owned by the WPP marketing group, has been working in Japan for six years and opened an office there two years ago.

"This year we will make a major profit, but until now we have been picking up jobs and making a few bucks," says Ken Walker, chairman.

These financial constraints are too much for many private companies. Landor sold out to Y&R earlier this year because the cost of continuing its international network was too high for it to bear alone. Wolff Olins was forced to close its San Francisco office at a loss of £750,000 last winter because it could not run the risk of continued losses. It, too, is now rumoured to be considering finding a partner.

But selling out to a larger group is not a panacea. The financial demands made by large companies in different disciplines are sometimes too onerous for design companies. Moreover, design is an idiosyncratic industry which requires a flexible management style.

Aegis, the London-based communications company, has already closed or sold the design businesses it bought under its old guise as WCRS. RSCG made one in three of Conran's staff redundant only a few months after buying the business.

Yet there have been some successes. Mr Martin Sorrell, chief executive of WPP, the biggest single force in the design industry, is pleased with the progress of the US and UK design companies he bought in the late 1980s.

Similarly, the consultancies profess to be pleased with life under WPP, which favours the most flexible style possible and tends to leave its companies to their own devices. Hence Walker, in downtown Manhattan, plays an active part in the group by cross-refering business to and from other subsidiaries. Whereas Anspach Grossman Portugal, the identity consultancy in midtown, prefers to operate independently.

The industry is highly fragmented, even in more mature markets

The real test for WPP's design companies will come in a few years time when the earn-outs (the performance related payments agreed at the time of the acquisitions) come to an end and some of the vendors may leave. By that time, unless WPP has prepared a second generation of management to take their place, it might have to reorganise its design interests.

In the meantime, the design industry is still struggling to resolve the dilemma of meeting – and profiting from – the demand for international design services without stretching itself so far that it falls prey to its structural weaknesses. Despite the traumas of the past year or so, the industry made tremendous progress in the 1980s. It will soon become clear whether it can make further progress towards creating a more stable international structure in the 1990s.

IN THIS SURVEY

Martin Sorrell's WPP Group has begun the 1990s as the biggest single force in the international design industry.

GLOBAL DESIGN TRENDS

Dynamics are changing

THE FESTIVE spirit of the international design industry may have been dampened by the recent problems of several prominent consultancies, but it has at least started with 1990s having achieved critical economic mass.

Following several decades on the sidelines of mainstream industry, the world's design consultancies now generate annual fee income of more than $30bn (£16bn). Huge swathes of the world's economies remain virgin, but fertile, territory for the design industry – so the prospects for continued incremental growth are excellent.

But the dynamics of the design market are changing. The tendency of clients to buy in a whole range or "basket" of design services – so popular during the overhead-avoiding 1980s – is diminishing. The revival of selective centralisation in business strategy has made larger firms determined to develop greater in-house expertise in design management.

Consequently, the demand for full-service, or "one-stop shopping," marketing and design consultancy has not been quite so buoyant as expected. Even allowing for the economic recessions in the US and the UK, the market for the multi-service consultancy is more crowded than most of its players had anticipated.

On the bright side for the industry, a continuing expansion in the definition, role and application of design is evident. This is particularly apparent in dynamic Asian economies; there, "design" is perceived to be an important resource in the transition from an industrial to an "information" economy.

In the UK, design flourished during recent years in two particular areas: visual communications, or what used to be called "graphic design," applied in corporate identity, business literature, packaging and the like; and architecture and interior design of environments ranging from shopping centres to offices.

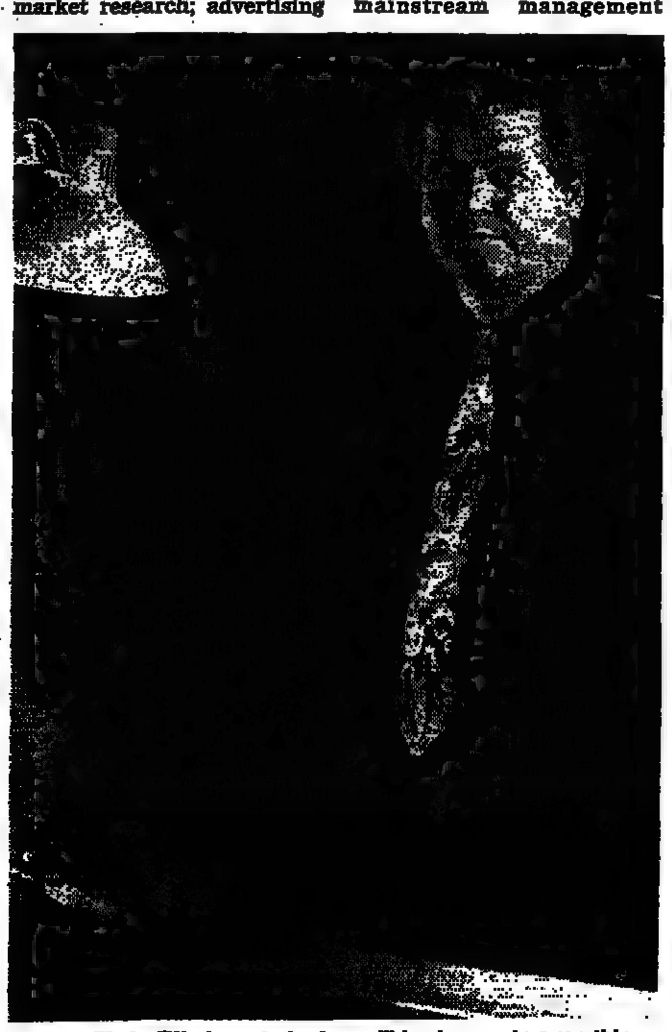
With their growing proximity to the thought process of industry, the responsiveness of design consultancies to broader business and marketing issues increased dramatically during the 1980s. The old boundaries between design disciplines – a hangover from design's craft-based origins, began to disappear – and the bigger design firms took to boasting that fewer than half their staff were hands-on designers in the old sense.

At the same time, with their growing expertise in commissioning and using design, bigger clients – such as retailers, who represent a large proportion of the total design market – have learned the value of fostering their own in-house design management skills. They now demand consistently higher standards, and are less willing to pay through the nose for design. Recession apart, these developments have added impetus to the shakeout of the industry.

Three years ago, the response of the larger design consultancies to this new trading climate was to broaden their range of activities. It seemed as though they would merge invisibly with other forms of management consultancy.

Design companies such as Michael Peters bought into market research; advertising agencies bought design firms. The new marketing conglomerates, like WPP, lumped their design companies into "non-media advertising." The air buzzed with words like *integration* and *synergy*.

Today, the wiser design consultants are noticeably less eager to obscure their designer origins. They have learned from the failure of Saatchi and Saatchi's foray into mainstream management consulting that sticking to one's core business is a safe strategy. They are also far happier to defend the virtues of a visually-based consultancy now that mainstream management gurus, such as Tom Peters, are proclaiming "perception is all there is."



Rodney Fitch: "We have to be incredibly sharper in everything we do – that is the only way to survive and prosper."

As Rodney Fitch, founder and chairman of Fitch, put it: "We have no intention of disguising our origins, and present identity, as a design-based consultancy. The difference is that we have to be incredibly sharper in everything we do. That is the only way to survive and prosper."

But the renewed emphasis on design is not a matter of "back to basics." On the contrary, the word "design" is increasingly invoked as a process which extends way beyond the logo-mongering and shop revamping of the 1980s.

This is particularly so in the Eastern economies, where talk of a "new industrial culture" is at fever pitch.

Design is now being invoked as an agent in technology transfer and innovation, in the adding of value to information and in the management of culturally targetted marketing.

In Japan, where $50m was spent on a Design Year and Design Expo in 1989, more than a dozen separate design and research centres are being planned. The number of students being sent to study design in Europe is rising exponentially.

Taiwan has earmarked a hefty slice of its enormous foreign reserves for a new design policy as part of its drive to upgrade the "Made In Taiwan" image. Singapore is also creating a new design infrastructure aiming to place itself at the epicentre of a pan-Pacific high-tech and service economy based on networks of specialist marketing services.

In each case, "design" is interpreted to mean the management and, preferably, the transfer of information and skills. Japan is anxious to learn, for example, of the process by which Italian designers extract new materials from plastics companies like Montedison, and apply them in lights, cars and furniture.

For them, the crucial role of design is in transferring technology from the labs to the marketplace – not just the styling of finished product.

Taiwan for its part wants to improve its management of advertising, packaging, graphics and product design skills to add perceived value to its goods. While in Singapore, the emphasis is on "network management," with "design" being the process by which various experts around the world are identified and put together in teams for different jobs.

John Thackara

The writer is managing director of Design Analysis International and director of research at the Royal College of Art.

THE US MARKET

A rough ride ahead

"THIS has been a very tough year. We have had to fight for every piece of new business and service the hell out of our old clients."

For Ken Walker, chairman of Walker Group/CNI, one of New York's best-known retail design consultancies, 1990 has been a bracing year. The retail industry has been been blitzed by the legacy of the leveraged buy-outs from the 1980s and the demand for retail design has dropped dramatically.

Walker Group, like most of its competitors, has been hit by budget cuts, postponed projects and a dearth of new business to pitch for. It has been lucky in that, as part of WPP, the London-based marketing group, it has been able to drum up overseas projects to counter the decline in the US.

Other retail design consultancies have been less fortunate. Hambrecht Terrell, another prominent New York company, fell into heavy losses before being sold by Michael Peters, the UK design group, to Space Design International in Cincinatti. The Peters group has since gone into receivership.

Some of the smaller retail design consultancies are still struggling. Others have given up on the intensely competitive market and have gone out of business. Retail design is not the only area of the US design industry to be suffering. The economy was sliding into recession even before the Gulf crisis.

The demand for packaging and product design has been depressed by the pressure on corporate profits and the slowdown in consumer spending. The corporate identity market has been affected by the dearth of merger and acquisition activity.

The design industry has also been destabilised by a series of corporate changes. Landor, the San Francisco consultancy which is the biggest single force in US design, was taken over by Young & Rubicam, the New York-based advertising agency, last autumn.

Siegel & Gale, the New York identity consultancy, was recently rebuffed in its attempt to stage a management buy-out from Saatchi & Saatchi, the UK communications group. The fate of Duffy, the Minneapolis graphic design company, and Michael Peters' US business in New York, is hanging in the balance after Peters' recent receivership.

Joel Portugal: "There is still a lot of business out there."

The combination of a depressed market and changes in ownership tend to paint a pessimistic picture of the US design industry. But the design market is so big, and so diffuse it is impossible to generalise about the state of the industry – "the market is very competitive, after all the economy is in serious trouble," says Joel Portugal, a partner in Anspach Grossman Portugal, the New York corporate identity consultancy also owned by WPP. But there is still an awful lot of business out there."

"I guess the market must be difficult at the moment," said Alan Siegel, chairman of Siegel & Gale. "The economy has been adversely affected and the design industry exploded in the 1980s. But we are busier than ever."

The US is the largest design market in the world. Last year it represented $15.6bn (£8.5m) of the $31bn spent on design worldwide, according to the WPP Group. The market is concentrated in New York (which accounts for about a fifth of all design expenditure in the US), San Francisco, Chicago and Los Angeles.

Yet the industry is highly fragmented. There are 6,250 design consultancies in the US. One in five consist of a single designer. The rest have an average of four employees. Fewer than 100 design companies employ more than 20 people. The industry is also highly specialised. The European concept of the multi-disciplinary design practise does not really exist in North America. The industry tends to be divided between the four key disciplines of retail, corporate identity, product and packaging design.

Retail design is dominated by Walker and SDI. Corporate identity is led by three New York consultancies – Anspach Grossman Portugal, Siegel & Gale and Lippincott & Margulies – and Landor in San Francisco. Landor is also a force in packaging design, as is SBG Partners (another WPP subsidiary) in San Francisco. RichardsonSmith, the Columbus, Ohio company owned by Fitch of the UK, and Frog Design of Los Angeles are the main players in product design.

So far, foreign firms have found it difficult to break into the US. Wolff Olins, the London corporate identity consultancy, operated an office in San Francisco for fewer than two years before closing it last winter. Michael Peters also struggled to establish its New York business.

Frog Design, which also operates in West Germany, is a notable exception, as is Pentagram, the London-based multi-disciplinary design consultancy, which has been in the US for 12 years and now has offices in New York and San Francisco – "in many ways the US is the most open market imaginable," said Colin Forbes, a Pentagram partner in the US. "But the difficulty of setting up in business here should not be under-estimated." And the market is getting more and more difficult. The deterioration in the economy suggests that the design industry is in for a rough ride over the next year or so.

"We are now recruiting again," said Ken Walker of Walker/CNI. "And there must be lots of out-of-work designers around because the *resumés* have been coming in by the bucketful."

Alice Rawsthorn

THE UK MARKET

Sharp drop in fee income

THE DREAMS of many design consultancies in the UK have been shattered over the past year. After a period of apparently effortless growth in the "design decade" of the 1980s, the design industry has entered a far less favourable environment.

"We now have to accept that the era of growth is finished," says David Rivett, group development director of the troubled Fitch RS, one of the UK's leading retail design consultancies.

The most recent figures on the industry's growth rate, published in *Design Week* magazine, showed that the growth in fee-income of the 100 largest design consultancies had fallen from 50 per cent in 1988 to 17 per cent, to £525m, in 1989. An even sharper drop seems inevitable this year.

As the current economic slowdown has taken hold, clients have postponed projects and cut budgets and new business has proved hard to find. Consultancies across the board are reported to be dropping fees or throwing in free services in a desperate attempt to attract new clients.

Many of the larger design companies have been forced to cut costs by laying off staff, withdrawing from new ventures and regrouping their interests.

Fitch, where pre-tax profits fell from £2m to £459,000 for the six months to June 30, has lost 60 people from its workforce of 550 including Ian Cochrane, its chief executive, who resigned after the latest round of redundancies last month. Fitch has also cut its profit centres from ten to three.

Conran Design, which was acquired early this year by RSCG the French advertising agency, has made 65 people redundant, including its chief executive. The previously thriving Crighton consultancy, which closed in early summer, was one of the first serious casualties.

However, the most dramatic fall from grace was that of the Michael Peters Group. Once the third largest international design network, it was forced to call in the receivers two months ago after losing a long struggle with heavy debts incurred through a series of ill-judged acquisitions and new ventures.

The company's overseas interests and newer UK ventures were sold and its core UK packaging, corporate and annual-report design businesses have been bought by Craton Lodge & Knight.

Every area of the design industry is suffering, though the different sectors have been affected to differing degrees. The first sector to suffer was retail, where Fitch is the largest consultancy and other key players include McColl, owned by the WPP marketing group.

The retail design market exploded in the mid-1980's on the back of the consumer spending surge and the wave of corporate activity in the retail sector. The success of the new *genre* of 'designer' retailers inspired others to invest in design and retail consultancies thrived. But the recent hike in interest rates and the subsequent downturn in spending – coupled with the serious problems experienced by the designer retailers – has led to a severe slowdown in business for retail design consultancies this year. They have been shielded to an extent by the resilience of new markets like leisure, offices, and financial services, but even these are starting to tail off. The design industry's two other main areas – brand design and corporate identity – are also faltering. Brand design (which includes packaging design and new product development where Michael Peters played a leading role) benefited from buoyant consumer spending throughout the 1980s and from companies revising their product ranges to reflect consumer tastes for 'designer' goods.

However, high interest rates and the uncertain economic outlook have raised the cost of product development programmes and made companies cautious about committing themselves to this kind of long term project. The *ad hoc* basis on which packaging and product development are usually commissioned has made it easy for clients to cut back.

The slowdown in corporate identity has been less dramatic than in other areas of the industry. But the lull in takeover activity and government privatisations – which created a significant amount of new business for design consultancies in the 1980s – has taken its toll.

However, because corporate identity projects tend to be longer term than other programmes, many consultancies in this area have weathered the storm relatively well. Leading players such as Wolff Olins and Landor are still working on projects they won last year.

Some observers believe the problems created by the downturn in the economy have been exacerbated by weak management and poor financial controls – "the sunny climate of the 1980s made them view life like an Aesop's Fable," says Lorna Tilbian, a marketing industry analyst at Warburg Securities. "They imagined it was going to be summer all year round and they had nowhere to go when it got cold."

Michael Peters once headed the third largest international design network. This year the receivers were called in.

However, design insiders argue that the misfortunes of a minority of companies are being unfairly interpreted as symptomatic of the industry as a whole.

"The media spotlight has been trained on high profile companies which have done badly but many others are still flourishing," says John Sorrell of leading corporate identity consultancy Newell and Sorrell, who is also chairman of the Design Business Association.

He maintains that the design sector was no worse prepared for the recession than any other industry.

But no-one in the industry expects the pervading economic gloom to disperse before the end of next year at the earliest – "we expect a rough ride until well into 1992," says Mr Rivett of Fitch.

Another serious concern is that the current downturn could be a reflection not only of the harsh economic environment but of a deeper disillusionment with design.

Even in the design-obsessed 1980s some companies used design in a faddish and superficial way, so the results of their flirtation with it were sometimes disappointing. Now, having once ascribed to the fashionable theory that it was a panacea for all their ills, they are happy to use it as a scapegoat.

Meanwhile, most consultancies that have the resources to do so hope to counter the UK slump by cultivating new business in other countries, chiefly the buoyant markets in Europe, where UK companies have been bucking the domestic trend.

The pessimists in the UK industry say it is still too fragmented and immature to become a force in the international market. The optimists claim the current slowdown could be beneficial in that it might force the industry to get to grips with its structural problems.

"There's no doubt that design is a relevant service with a future," says Ms Tilbian of Warburg. "As manufactured products become more similar, design will increase in importance. If the industry learns from its mistakes and pulls in its horns to become leaner, meaner and fitter, then it will thrive."

Lisa O'Kelly

Case study

The importance of corporate symbolism

MARK JONES on the effective use of company logos

ANDRE HARBERT of National Power is a new breed of corporate animal – the Corporate Identity Officer. Alert personnel managers should take note of that title. They will want to know what CIOs are – and over which parts of the corporation and its identity they officiate.

It comes down to this: Harbert is the guardian of the company's logo. He makes sure it is implemented efficiently and correctly across the whole range of National Power's activities from cutlery to conferences. He is also a typographical policeman, constantly watching out for apostate secretaries who neglect to use either of the two official typefaces.

His appointment shows just how important corporate symbolism is to the nest of phoenixes rising from the old electricity industry. Both National Power and PowerGen, its competitor in the electricity generating industry, have invested heavily in new corporate identities.

POWERGEN

In the old days, according to André Harbert, designing a new corporate identity was something company chairmen tended to leave to their spouses or to their eldest son's best friend who almost went to art school.

Today, things are different. Both the new electricity groups turned to specialist design consultancies: Wolff Olins for National Power and Michael Peters (which was recently rescued from receivership by Craton Lodge & Knight) for PowerGen.

"It was very important to establish ourselves as a new company," said Harbert. "The general public is confused about who is who in the electricity industry.

"We were keen to be seen to be different to PowerGen and to the regional electricity companies."

National Power certainly succeeded. Wolff Olins opted for a bold, no-nonsense "N" next to a smaller 'electric' "P" for its logo. The colours are red, white and blue, chosen as much on patriotic as aesthetic grounds.

During its research, Wolff Olins spent a good deal of time elbow-deep in electricity industry logos from the 1930s and 1940s, logos in which the trusty thunderbolt was omnipresent. Eschewing the thunderbolt, it went for something which Harbert describes as "classical bold and direct."

As things have turned out a thunderbolt would not have been such a bad symbol for PowerGen in view of its involvement with television weather bulletins and the political storm over Hanson's recent abortive takeover bid. Instead it also went classical.

Michael Peters invented Ergon, a new Greek god, for PowerGen's logo. In this respect, PowerGen went one step further than Homer, who simply made do with the ones he had already.

Janet Chamberlain of Peters said Ergon is intended to represent energy while being a "friendly" logo.

Ergon has had something of an identity crisis himself, or should that be herself.

At first the figure had a muscly body with a woman's face. That image was rejected as being "too masculine."

The new, androgynous Ergon is "male outside and female inside," according to Janet Chamberlain.

Being a god, Ergon did not observe a normal human birth cycle and so sprung fully-armed into the world around three months after conception. That three months was taken up, said Chamberlain, with intensive research into Powergen and its objectives.

Just how intensive the involvement of a corporate identity consultancy should be with its clients is a matter of some debate.

Until recently, the fashionable idea was that a design consultancy should act as much more than a mere provider of design in that it should should be a

National Power

"business partner," rather than a supplier. Advertising agencies and public relations consultancies harboured the same notion.

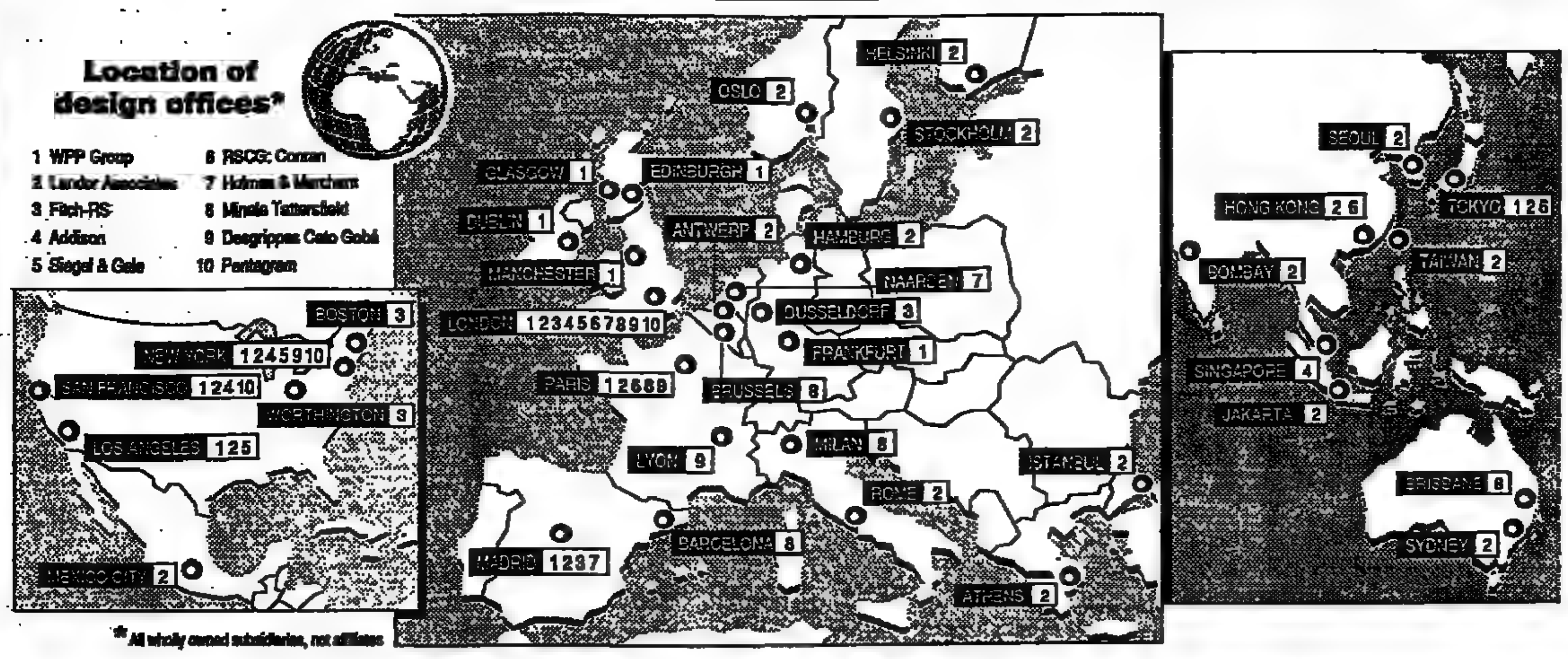
This ideal of equal status has taken something of a knock with the highly publicised failures of several public companies in these industries. It is rather difficult to grip a client by the shoulders and tell him to get his managerial act together when your own shares are suspended and the receiver is banging at the door.

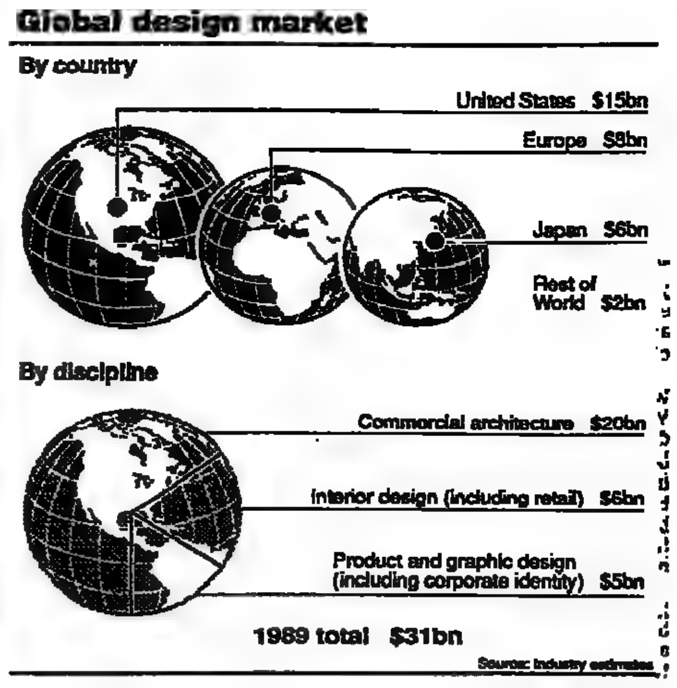
This is an experience that Michael Peters knows only too well, after being rescued from financial oblivion by Craton Lodge & Knight.

Now, perhaps, is the ideal time for it to look at its own corporate identity and internal structure.

"Physician, heal thyself" – that just about sums it up.

INTERNATIONAL DESIGN 3





The world's top ten design networks

1. WPP GROUP
- £56.1m design fee income.
- 1,052 employees in design, (675 designers)
- Publicly quoted company, UK.
- Headquarters: London.

WPP became the biggest force in the world design market through a series of acquisitions among the design companies of the US and the UK in the late 1980s.The *tristes* of the advertising industry mean that WPP, which also owns the JWT and Ogilvy advertising agencies, has lost its laurels as a stock market star. So far its design consultancies have performed strongly and have, with a few exceptions, bucked the slump of 1990. But the real test for WPP's design division will come in the mid-1990s as its earn-outs expire and the second generation of management comes on stream.

2. LANDOR ASSOCIATES.
- £30.0m fee income*
- 400 employees*
- Subsidiary of Young & Rubicam (private), US.
- Headquarters: San Francisco.

Landor is the pioneer of the international design industry and, despite its takeover by Y&R last autumn, is still the world's biggest single design consultancy. But Landor paid a high price for amassing its international network of offices. The cost of establishing and operating the network was too great for an independent company to bear. Last autumn, after months of boardroom bickering, it was bought by Y&R. The senior management has since been reshuffled. Donald Casey has been drafted into San Francisco to oversee its international interests and to prepare Landor for life with Y&R.

**Source: Design Week.*

3. FITCH-RS.
- £25.8m fee income.
- 500 employees (360 designers)
- Publicly quoted company, UK.
- Headquarters: London.

After years of apparently effortless growth in the 1980s Fitch has encountered problems in 1990 as it has suffered from the problems of its clients in the UK retail sector.

Fitch recently announced a sharp fall in interim profits. But the group has cut costs and is using its reputation as a force in UK retail design to expand its activities in Europe. In the past year Fitch has opened sales offices in Madrid and Dusseldorf and a project office in Seville. It has also been able to depend on a strong performance of RichardsonSmith, the US product design consultancy acquired two years ago, to counter its difficulties in the UK.

4. ADDISON.
- £14.5m fee income.
- 275 employees, (180 designers)
- Privately owned company, UK.
- Headquarters: London.

The Addison design consultancies ended months of uncertainty last summer when they regained their independence in a management buy-out from Addison Consultants, its old parent company. Addison Consultants had been shrouded by boardroom rows and bid rumours. The disposal of its design division formed part of a rationalisation programme which also included withdrawal from advertising and financial public relations. Addison is now on course as an independent design consultancy with operations in London, New York, San Francisco and Singapore.

5. SIEGEL & GALE.
- £12.4m fee income
- 195 employees, (105 designers)
- Subsidiary of Saatchi & Saatchi (public), UK.
- Headquarters: New York.

Siegel & Gale spent most of the summer trying to put together a management buy-out package to win back its independence from Saatchi. Robert Louis-Dreyfus, Saatchi's group chief executive, rebuffed its proposals in September. So Siegel & Gale, one of the leading US corporate identity consultancies, will stay within the troubled Saatchi empire.

Saatchi has, however, agreed to support its international expansion. Siegel & Gale will soon add a West German operation - run in conjunction with another Saatchi subsidiary - to its European business. It also plans to open an office in Japan.

6. RSCG:CONRAN DESIGN.
- £11.5m fee income
- 200 employees, (120 designers).
- Subsidiary of RSCG, France.
- Headquarters: London.

Roux Séguéla Cayzac & Goudard was best known as the Paris advertising agency that created campaigns for Club Med and Citroen cars before it emerged as a force in European design by buying Conran from the beleaguered Storehouse retail empire this spring. RSCG swiftly reorganised its new subsidiary. One-in-three of the staff from the main London office, including the chief executive, fell victim to a round of redundancies this summer. Sir Terence Conran, who founded the consultancy has now returned as its chairman and *éminence grise*, and RSCG:Conran is being restructured under its new management.

7. HOLMES & MARCHANT.
- £11.2m design fee income
- 225 employees, (127 designers)
- Publicly-quoted company, UK.
- Headquarters: High Wycombe, Bucks.

Holmes & Marchant is one of the few acquisitive – or would-be acquisitive – companies left in the UK design industry. Its name has been bandied about as a putative predator for everyone from Addison to Michael Peters. Neither deal came to fruition yet; so far Holmes & Marchant's existing interests seem to have withstood the slump that has hit so many other UK design consultancies. Earlier this year it sold its small retail design business to a management buy-out team and now concentrates on its packaging and corporate design.

8. MINALE TATTERSFIELD.
- £10.2m fee income.
- 160 employees worldwide, (130 designers).
- Private company, UK.
- Headquarters: London.

Minale · Tattersfield has emerged as something of a dark horse in the international design world in recent years.

It has diversified beyond its base in corporate identity in the UK by stealthily constructing a network of subsidiaries and affiliates across Europe and the Pacific Rim.

It now owns offices in Paris, Milan, Barcelona, Brussels and Brisbane as well as London. It also has affiliates and sales offices everywhere from Cologne to Casablanca and, at least until the Gulf Crisis, in Kuwait.

9. DESGRIPPES CATO GOBE.
- £9.3m fee income.
- 150 employees worldwide, (75 designers).
- Private company, France.
- Headquarters: Paris.

Desgrippes Cato Gobbé can claim to be a truly international design group in that it is the product of the union between Desgrippes in Paris and Cato Gobbé in New York.

Desgrippes is best-known for its packaging design for upmarket perfumes and cosmetics. It works for Yves St-Laurent and Hermes.

Cato Gobbé is involved in almost every aspect of design from retail schemes to corporate identity projects.

10. PENTAGRAM.
- £9.0m fee income.
- 125 employees, (81 designers).
- Private company, UK.
- Headquarters: London.

In the go-go days of the 1980s when the design industry, like so many other sectors, was enveloped in international acquisitions and affiliations, Pentagram looked like something of an anachronism.

By sticking to its long standing strategy of operating as a multi-disciplinary design partnership it almost seemed to belong to a different, less dynamic era.

Today, when words like responsibility and authenticity trip from designers' tongues, it seems more in tune with the times. Pentagram, with offices in London, New York and San Francisco, now looks like one of the more stable forces in the industry.

Alice Rawsthorn

EUROPEAN SCENE

Embroiled in a wave of acquisitions

THE DESIGN industries in the US and the UK may have dived down to the doldrums in the last year or so, but the picture in continental Europe is very, very different.

The European design market is booming and the established consultancies of London, New York, San Francisco are racing around to make the most of it. Sales offices and resource centres have opened across the continent. The European design industry has been embroiled in a wave of acquisitions and affiliations.

The boom in the $8bn (£4bn) European market could scarcely have come at a better time for the US and UK consultancies. Their own domestic markets are now experiencing a serious slowdown and the buoyancy of continental Europe has provided a sorely needed source of new business.

Landor Associates, the San Francisco-based consultancy which is the world's biggest single design network, opened its own operation in Europe five years ago. It began with 12 employees all based in London. Today it has a staff of 160 across the continent.

It recently inherited two new design consultancies in Paris and Stockholm from its acquisition by Young & Rubicam. Landor now derives 80 per cent of its European income outside the UK.

Siegel & Gale, the design division of Saatchi & Saatchi, moved into Europe three years ago. It now employs nearly 60 people in Europe and, although its European operation is also based in London, it makes only half of its money in the UK.

Walker Design, the New York retail design busines owned by the WPP Group, has opened an office in London. Anspach Grossman Portugal, the WPP-owned corporate identity consultancy, could follow suit in the future.

The UK consultancies are also expanding their European operations. Fitch, the retail design group, recently opened marketing offices in Madrid and Dusseldorf. It has also invested in a project office for the forthcoming Expo in Seville. Wolff Olins, the corporate identity consultancy, recently added a sales office in Paris to its established offices in Madrid and Copenhagen.

Conran Design should develop its activities in Europe after its acquisition this spring by Rouz Seguéla Cayzac Goudard, one of the largest French advertising agencies. Even the younger London design consultancies, such as Din Associates in retail design, are now active in other European countries.

The reasons for the sudden surge of demand for the services of design consultancies differ from sector to sector and from country to country.

Corporate identity, for instance, has been buoyed by the international expansion of so many large European companies in the approach to 1992.

"The European market is still less mature than the US," says Tim King, head of Siegel & Gale in Europe. "But companies on the continent are now much more outward-looking."

Report by ALICE RAWSTHORN

By contrast, the retail design market has benefited from the trend for European retailers to follow their counterparts in the US and the UK, by commissioning design services from external consultancies rather than executing them in-house.

Similarly, the rate of market growth differs from country to country. The design market in Spain is growing at a frenetic pace.

Moreover, the expansionist mood of Spanish industry means that companies tend to prefer commissioning international design schemes from US and UK consultancies, rather than from local designers.

Conversely, France is still a difficult market. One reason is the innate chauvinism of French companies. Another is the fiercely competitive climate in the indigenous design industry.

"I have never seen so many consultancies making so little money from so many projects," says the head of one international design network.

Buoyant though the market may be, there are difficulties for the international design networks operating within it. First, there is the practical problem of extracting payment from some countries, notably Spain and Italy.

Another problem is the difficulty of deciding how to structure a European operation. Some consultancies believe that they must offer a full local service to their clients, in the main markets at least.

"You cannot operate by remote control. If you profess to be European you have to be in the big markets in a full way," says Alan Brew, head of Landor Europe, who is now negotiating the acquisition of a West German design consultancy to strengthen Landor's presence in that country.

Other consultancies suspect the cost of providing a fully fledged design service in each market is prohibitively high. They tend to 'export' creative and strategic work from a large central operation and to run sales offices in other countries – "there are different points of view as to whether you really can offer an effective export service," says Wally Olins, chairman of Wolff Olins. "Frankly, it is a debate that our company has not yet resolved."

The European design networks also confront cultural problems. It is difficult enough to recruit experienced designers and consultants in many of the less mature design markets, but practically impossible to find suitable recruits with language skills.

Fitch now runs regular Spanish and German classes for the staff in its London headquarters. Landor Europe positively discriminates in favour of prospective employees who speak a second language.

There are even cultural differences between the concept of design – particularly in abstract areas such as corporate identity – in different countries. This creates obvious difficulties for the international consultancies as they try to adapt to the demands of different countries.

"Europe is an amazing opportunity," says one of Fitch's executives.

"It is also a very, very tough market indeed."

Wally Olins, chairman of Wolff Olins: debate not resolved.

Christopher Lorenz examines the winner and commended entrants of the FT/LBS 1990 Design Management Award

JCB breaks new ground

J C BAMFORD has been one of the rare out-and-out success stories of post-war British manufacturing. From a standing start in 1945, this remarkable maker of "backhoe" diggers, excavators and other construction and loading *equipment*, has grown to be one of the world's leaders in its industry: 64 per cent of its £422m sales were exported *last* year – including to the United States, where its market share of 7 per cent in backhoes puts it on a par with the more successful Japanese car importers.

But, like most British manufacturers, JCB is facing its toughest times for a decade. After six years during which profits soared fivefold and sales quadrupled, the *troubles* of the construction industry and the currency markets have already hit it hard: sales *growth slowed in* 1989 and profits *fell* by almost a fifth to £38m. This year has been even tougher, with JCB's UK market down by *half*, and *about* the same in the US.

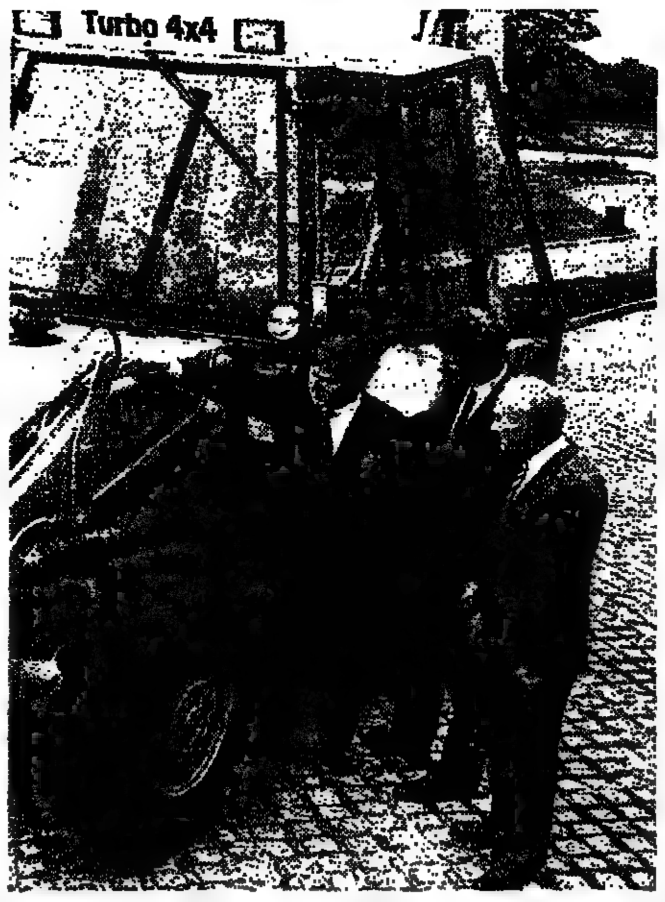
"We're up against it", says Mr Gilbert *Johnston*, the *group* chief executive, although he does not expect things to get as bad *as* in the *last* recession. The challenge to JCB is redoubled by an intensification of international competition that had struck even before the construction *recession* in the *UK*, which is still the company's largest single market.

Not only has JCB's prime Japanese rival Komatsu started manufacturing in Britain, but the giant Caterpillar recently moved into JCB's base business of backhoe loaders for the first time.

Yet there are several silver *linings*. As the most productive company in its industry, and one of the most profitable, it can console itself that its main Japanese and American rivals are facing somewhat similar market misery.

JCB is further cushioned by its privileged status as a private company, which gives it the ability to think and invest *long-term even through the* most vicious recession, as it did in 1980–81. Its obsession with the need to maintain a constant flow of new products, regardless of market conditions, puts it on a par with the best Japanese and German engineering companies, and helps account for its success.

It is a testament to the innovativeness *of JCB's products*, and the company's marketing skill, that it has managed to build this marketplace achievement with a design and product development process which, from today's vantage



Sir Anthony Bamford, JCB's youthful chairman, pictured left, with Mr John Bradley, marketing director, centre; and Mr Alan Cooper, managing director, products: all are deeply involved in JCB's design management.

point, seems to have been remarkably loose and messy until the late 1980s.

Only over the past two years *or so has JCB really started to* tighten its design and development process by introducing the sort of professional project planning and programming, cost controls, and cross-disciplinary teamwork which for nearly a decade has been *de rigeur* among the best companies in faster-moving industrial sectors such as electronics *(and even, in Japan, in cars)*.

At the same time the company has begun to pay more careful attention to all the ways in which it and its dealers around the world communicate its brand identity through visual images of various kinds – a skill which will be increasingly vital over the next few years as "soft" values become *a more important part of the* marketing mix, even in engineering. It is for JCB's advances in the management of product design and communications design, together with its long-standing attention to the design of its offices and factories, that the company has won the 1990 Financial Times/ London Business School *Design Management* Award.

FINANCIAL TIMES / LONDON BUSINESS SCHOOL

DESIGN MANAGEMENT AWARD

The FT/LBS Award is unusual in that it is not given for the design of individual products, services, communications and buildings, but for the comprehensive and effective *management* of design in *all* aspects of an organisation's business. The Award Scheme was launched in 1986. The first awards were presented in 1988 by the Prime Minister, Mrs Margaret Thatcher.

The 1990 award and commendations will be presented at a ceremony in London today by Sir John Harvey-Jones, the *former* chairman of ICI whose BBC-TV hit series Troubleshooter has made him a household name in Britain for *all-round expertise on management* - including design.

Just as Sir John had difficulty translating his corporate healing skills from smallish companies to a lumbering part of the National Health Service, the FT/LBS Award judges did not find it easy to judge the effectiveness of JCB's design management processes against the more routinised procedures and mechanisms of such large rivals for the award as British Telecom, *(see right)*.

JCB is *certainly one of the* few British companies which can claim convincingly that "design is on the table at every executive [board] meeting", *in* the words of the newly-knighted Sir Anthony Bamford, JCB's youthful chairman. But its design management processes have, at least until recently, been relatively un-textbook-like.

As Sir Anthony says: "We're still a medium-sized company, where a few people can know a lot of what's going on." He *is* understandably sensitive of a feeling among managers in parts of the company that it would sometimes be easier if top management got less involved in the detailed deci*sions of design management* – especially in product issues, but also to some extent in communications.

Yet one of the prime strengths of JCB has always been its top management's deep interest and understanding of product design and marketing. This has stemmed preeminently from the innovative *and* visual *design flair of its* founder, Sir Anthony's now retired father, Joe Bamford, and also from the marketing expertise of Sir Anthony himself.

The trick has been to combine the best of the traditional Bamford entrepreneurial (even seigneurial) influence with steadily increasing delegation *to the growing body of professional* managers whom both Bamfords, going back many years, have employed at senior levels and beneath. That this difficult balance is still evolving is evident from the extent *to which JCB's design management* processes have become more systematic since 1988, and are still doing so.

A similar rebalancing applies to the overall organisational structure within which these processes operate. In the late 1980s, JCB suffered from an excessive degree of decentralisation from the product divisions which it had introduced in 1984 in an attempt to break up the previously unitary organisation. Since 1988 a *strong degree of cross-divisional* co-ordination has been restored by the introduction of a Managing Director, Products, to whom all product, marketing and engineering managers report, whether they are organised mainly on a functional basis (as in marketing) or in product divisions (engineering).

"The trouble with the previous organisation was that everyone did their own thing - we didn't talk to each other", *says Mr Alan Cooper, the MD*, Products.

It is this reorganisation which has helped JCB tighten *its management of product* design and development so markedly over the last two years. Indirectly, *it* has also helped stiffen other aspects of design management. The many *changes* include:

● *Product*: "Network planning" (a form of critical path analysis) is being introduced across the company, together with simultaneous engineering, under the leadership of Mr John Moses, the head of two key divisions.

These changes, plus introduction of computer aided design, are starting to help cut *development* times by up to a third, and to confine designers and engineers within very tight deadlines and budgets. JCB came late to critical path analysis, but Mr Moses believes it is ahead of most other companies in its integration of detailed costings into the approach.

For the first time, JCB three *years ago started employing* in-house industrial designers - previously it had only used consultants. Though seen merely as "stylists", they provide important and influential early input to the design process.

● **Communications**: Corporate identity communication, along with the visual appear*ance of products, is seen by* JCB as part of "brand management" (the company does not actually use the term "design management", which arguably puts it in the large category of companies which carry out what LBS academics have dubbed "silent design").

The updating and enforcement of JCB's long-standing *corporate identity manual* had "gone off the boil" over a number of years before 1988,

The 1990 award and commendations will be presented at a ceremony in London by *Sir John* Harvey-Jones, the former chairman of ICI

according to Mr John Bradley, who took over as marketing director in that year. Since then a bevy of actions has been taken to update the manual, and to extend what he calls "franchise standards" in fine detail to all the company's distributors around the world.

As part of a McDonald's-style *approach*, responsibility over distributors' visual communications has been transferred from JCB's sales and service offices to group headquarters at Rocester, deep in rural Staffordshire. Among further actions which Mr Bradley foresees over the next few years, he is considering the introduction of outside audits of JCB's corporate identity management.

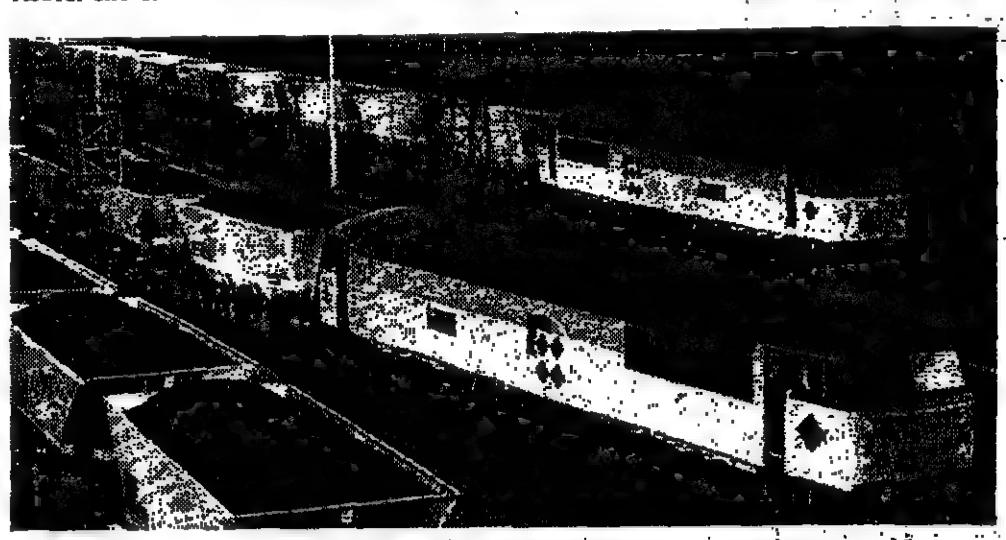
● **Environment**: The green-clad image of the company's *HQ, which blends into the* Rocester environment, is being used as a model for the satellite plants that JCB has opened in the UK in recent years. So are the orange carpet tiles and wooden desks which furnish the HQ offices - except for the greys and plush reds of the newly-opened reception, showroom and sales area at Rocester.

Sir Anthony is unrepentant about his continued close personal involvement in the design *of JCB's environments*, and the lack of a manual on the subject: compared with the management of product design, "it is simpler by *far*", he says. JCB can maintain common office design standards without being as formalised as IBM, Sir Anthony points out.

He clearly relishes his continued involvement with envi*ronmental* design, as with aspects of communication design, and with significant product details (especially, but not only, aesthetics).

Such a degree of top executive design-mindedness may be unusual in Britain and the US, but it is common in Germany and especially Japan. That *fact* is not unconnected to the competitive success of so many of those two countries' manufacturing companies.

Above: one of BAA's retail areas in Heathrow Airport's newly-redesigned Terminal Three.



Railfreight's newly-liveried coal trains.

Full range of design aspects commended

BRITISH TELECOM is not exactly reputed for the good design of its products: apart from malfunctioning public telephones, the phone boxes it has introduced over the last few years have been criticised for being ugly, noisy *and cold – and not a patch* on the much-loved (though often smelly) red boxes of Sir Giles Gilbert Scott.

But the design management process which allowed BT's less-than-ideal 1980s products to be created has been replaced in the last few years by one which – when more of the products and *information it has spawned* appear in the marketplace – *may soon be recognised* as an unusually effective process of supplier management.

BT's management of the way it specifies technical and external requirements for its products, supported by consistent and well-managed *information, has improved* to such an extent that the judges of the 1990 FT/LBS *Design Management Award* considered it worthy of a commendation. (BT's new *fax machine* is shown, *lower right*).

Whereas the BT commendation is for the quality of management in the *single area of product design*, another controversial and formerly nationalised company, BAA, is commended for its impressive retail design management (an aspect of the design of environments).

The judges felt the "passenger" side of its airports was very well *managed, as were its information systems.*

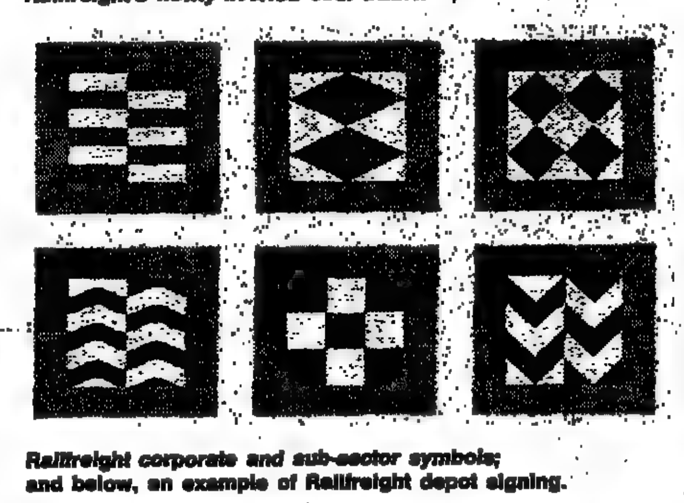
The BT and BAA commendations were arrived *at after lengthy discussion* among the judges.

Corporate identity

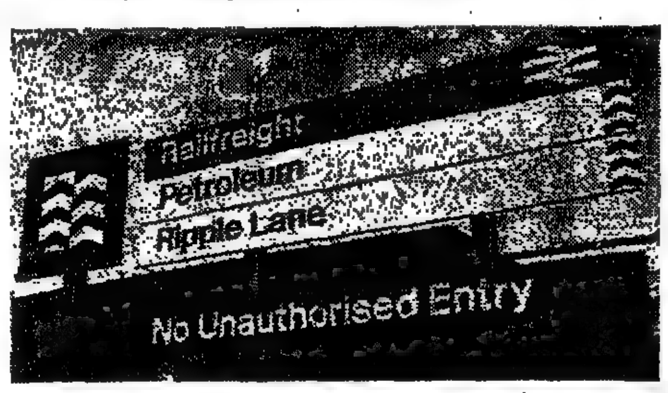
A third and final commendation was decided more straightforwardly. The implementation of a *new* corporate identity by the Railfreight sector of British Rail was judged unanimously to have been remarkably effective in changing management attitudes and *customer perceptions*.

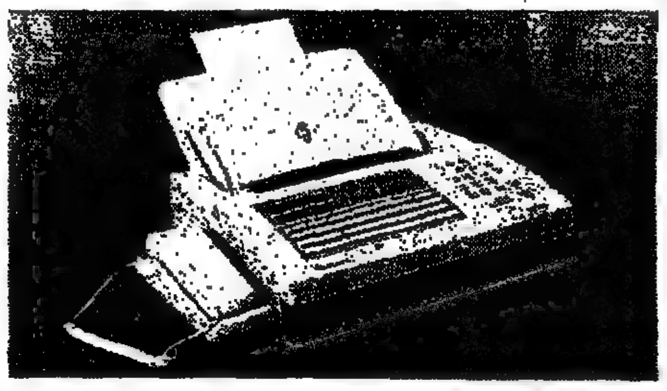
In order to foster employee morale and marketplace loyalty, the identity includes, *in addition to an overall* "corporate" symbol for Railfreight and separate sub-sector symbols (illustrated right) for five different types of *business* – distribution; coal; *petroleum; construction;* and metals.

The triangular symmetry, with one commendation for each main area of design management (product/ service, environment, and communication), was not planned by the judges, but coincidental.
Yet it underlines neatly the importance of design management in every aspect of a business.



Railfreight corporate and sub-sector symbols; and below, an example of Railfreight depot signing.





BT's new fax machine, model CF500.

THE WEEK AHEAD

UK CMPANIES

TIMESare tough for high street ;ailers and the truth of that ob-rvation looks likely to be bor out on Tuesday when Sears,he footwear and clothing g-up which owns several retail outfits including Selfridg and the British Shoe Corpration, announces its inter pre-tax profits.

Aysts are looking for a sha decline in taxable profits, excluding exceptional items, from about £72m to £55m.

Jefferson Smurfit, the Irish-based multi-national paper and packaging group, will announce its half-year figures on Thursday.

Many analysts are fighting shy of suggesting a pre-tax profit figure because of the unknown effects of the company's recent restructuring. But earnings per share are expected to remain flat at around 24p.

There has been little in the way of earnings per share growth at Harrisons & Crosfield, the diversified plantations group, lately as it has issued a mass of paper to fund acquisitions. However, interim results due out on Wednesday should show a good trading performance from companies added to the group.

Analysts forecast H&C made pre-tax profits of £60m, against £56.2m, in the six months to end-June.

Interim results from textile group Tootal on Monday are unlikely to lift the gloom in that sector. The market is looking for around £16m to £16.5m pre-tax in the half year to end July against £19.2m last time – a figure which included some one-off profits.

U COMPANIES

■ TODAY
COMPANY MEETINGS:
[illegible] Smaller Markets Trust, 7, West Nile Street, Glasgow, 1[illegible]
BOARD MEETINGS
Finals:
[illegible]our Trust
[illegible]coy
[illegible]opean Leisure
[illegible]gmore Estates
Interims:
[illegible]onmore Foods
[illegible]ton (Percy)
[illegible]nning (W)
[illegible]orton Beach
Kleinwort Benson
[illegible]ledeva
[illegible]ssory Estates
[illegible]lock
Tootal
Watts, Blake, Bearne

■ TOMORROW
COMPANY MEETINGS:
Alphameric, Butchers Hall, 87, Bartholomew Close, E.C., 12.00
Crown Eyeglass, Glenfield Park, Northrop Avenue, Blackburn, 3.00
[illegible] Developments, Chesterfield Hotel, 35, Charles Street, W., 11.00
BOARD MEETINGS
Finals:
Barry Wehmiller Intl.
Beckman (A)
Lloyds Chemists
Welsh Industrial Inv.
Interims:
Boosey & Hawkes
British Shoe
Broadstone Hldgs
Cussins Property
Derwent Valley
Doeplex
Ibstock Johnsen
Inoco
Palma
Pittard Garnar
Raine Inds.
Rea
Sears
Sheffield Insulations
Telfos
Triplevest
Ward

■ WEDNESDAY OCTOBER 3
COMPANY MEETINGS:
Cook (D. C.), Butchers Hall, Bartholomew Close, E.C., 10.00
Dale Electric Intl., Royal Station Hotel, York, 12.00
Saltire Insurance Invs., 38, George Street, Edinburgh, 9.00
TR City of London Trust, Mermaid House, 2, Puddle Dock, E.C., 3.30
BOARD MEETINGS
Finals:
Bank of Scotland
JF Pacific Warrant
Maunders
Photo-Me Intl.
Interims:
Abtrust New Thai Inv. Tst.
Ash & Lacy
Bank of Wales
Harrisons & Crosfield
Higgs & Hill
Time Products

■ THURSDAY OCTOBER 4
COMPANY MEETINGS:
Alpha Estates, Beauchief Hotel, Abbeydale Road South, Sheffield, 11.00
Border Television, Television Centre, Carlisle, 12.00
Mountleigh, New Connaught Rooms, Great Queen Street, W.C., 11.00
BOARD MEETINGS
Finals:
Canadian Overseas Packaging Inds.
Druck
Galliford
Murray Ventures
TSW-T.V. South West
Interims:
Anglo American Inv. Tst.
Clinton Cards
Copymore
Etam
Finlay (James)
Hewden-Stuart
Ingham (George)
Lep
Martin (Albert)
Smurfit (Jefferson)
Tilbury
Vernons Inv. Tst.

■ FRIDAY OCTOBER 5
COMPANY MEETINGS:
Clarke Hooper, 12, The Grove, Slough, Berkshire, 9.30
Jacques Vert, 23, Plumber's Row, E., 10.00
Mosaic Invs., 135, Bishopsgate, E.C., 11.00
Resort Hotels, Eaton Garden Restaurant, Eaton Gardens, Hove, East Sussex, 11.00
Sheraton Securities, 1, Finsbury Avenue, E.C., 10.00
Swanyard Studios, Sherlock Holmes Hotel, Baker Street, W., 10.00
BOARD MEETINGS
Finals:
Ewart
Interims:
Filofax
Marylebone Estates
Save & Prosper Sterling
Deposit Fund
Scottish TV

Company meetings are annual general meetings unless otherwise stated.

DIVIDEND & INTEREST PAYMENTS

■ TODAY
AAH 4.2pc Pf 2.1p
ABB Kent 7¾pc Deb '88/93 3⅞pc
Do. 6pc Deb '88/93 3pc
Do. 8pc Ln '88/93 4pc
AIM 6.6p
Acsis 0.4p
Aerlinte Eireann Teoranta 10½pc Stg Deb '91/96 5¼pc
Aitken Hume 7pc Pf 3.5p
Alexon 6¼p Pf 3.125p
Algemene Bk Nederland Fl.1.40
Allied-Lyons 9¾pc Deb 2019 4⅞pc
Do. 7¼pc Deb '88/93 3⅝pc
Do. 6¾pc Deb '88/93 3⅜pc
Do. 6¾pc Deb '87/92 3⅜pc
Do. 3¼pc Deb '87/97 1⅝pc
Do. 3pc Deb '85/90 1½pc
Do. 7¼pc Ln '93/98 3⅝pc
Do. 7½pc Ln 3¾pc
Do. 6¼pc Ln 3⅛pc
Do. 5¾pc Ln 2⅞pc
Do. 5¼pc Ln 2⅝pc
Amberley 1.8p
American Tst 1.46p
Do. 6¼pc Deb '87/92 3⅛pc
Anglian Water 10.21p
Do. Int Cert F.P. 10.21p
Do. Int Cert 170p Pd 10.21p
Do. Int Cert 100p Pd 10.21p
Anglo United 1.2p
Do. Pf 3.625p
Asda Prop. 10⅝pc Deb 2011 5 5/16pc
Assoc. Brit. Engineering 0.1p
Assoc. Brit. Foods 6pc Pf 2.1p
Austin Reed 8pc Pf 2.8p
Ayrshire Metal 1.75p
BET 5pc Deb 2½pc
BTS 0.75p
BWD Securities 1p
Baker Harris Saunders 2.25p
Baldwin 7pc Pf 2.45p
Bank of Wales 13½pc Ln '9/97 6¾pc
Baxter Intl. 16cts
Beales (John) 6.95p
Bensons Crisps 0.6p
Bexbuild Devs. 2.25p
Birmingham Mint 5p
Do. 6pc Pf 2.1p
Black Arrow 3.2p
Bowater 30cts
Bowater 7¾pc Pf 3.875p
Bridon 7pc Pfd. 1.225p
Bristol Waterworks 6pc Pf 3p
Do. 11.2pc Deb 2006/09 5.6pc
Do. 12½pc Deb 2004 6¼pc
Do. 11¾pc Deb 2004 5⅞pc
Brixton Estate 10⅝pc Db 2012 5 5/16pc
Bucknall Austin 3.8p
Cable & Wire. 6.9p
Caffyns 6½pc Pf 2.275p
Do. 10pc Pf 5p
Cambridge Water 3.5p Cons 1.75p
Cape Inds 8.4pc Pf 4.2
Do. 10pc Deb '88/91 5c
Capital & Counties 6p
Do. 6¾pc Deb '93/98 3⅜pc
Do. 6⅞pc Deb '95/200 3 7/16pc
Carclo Eng. 10½pc Pf 5.25p
Castell 0.1p
Central Motor Auctions 1p
Centreway Trust 11pc Pf 5.5p
Chemical Banking 6cts
Chesterfield Props. ¼pc Pf 2.625p
Clearmark 13pc Ln92/97 6½pc
Coastal Corp. 10ct
Colefax & Fowler ¾p
Colne Valley Wat. 3.5pc 1.75p
Do. "A" 7pc 3.5p
Do. "C" 7pc 3.5p
Do. 4.9pc 2.45p
Do. 4.025pc Pf '893 2.0125p
Do. 6¾pc Pf '92/4 3⅜pc
Do. 2.8pc Pf 1.4p
Do. 6pc Pf 1990 3
Combined El. Mn. 6pc Deb '87/92 3pc
Compco 12.98p
Conversion 3½pc Ln 1¾pc
Cooper (Frederick) Pf 3.25p
Corp of London 3pc 2007 1.5pc
Courtaulds Clothing 7½pc Pf 2.625p
Courtyard Leisure 0.5p
Craig & Rose pc Pf 1.75p
Crest Nicholson 3p
Do. 5½pc Pf '75p
Dalepak Foods 2.965p
Dares Estate 0.25p
Davenport Knitwear 8.03p
Dewhurst 0.8p
Do. "A" 0.8p
Dixons 4p
Dowty 5.5p
Do. 7pc Pf 3.5p
Dwyer 7¼pc Pf 3.625p
Dyson (J & J) 3p
Do. N/V "A" 3p
E. I. du Pont de Nemours 6pc
[illegible] 27/7/92 4.5pc
East Anglian Water 3.5pc
Cons. 1.75p
Do. 3.5pc (Fmly 5pc) 1.75p
Do. 3.5pc 1.75p
Do. 7¾pc Deb '91/93 3⅞pc
Do. 9pc Deb '92/94 4½pc
Do. 11.5pc Deb '95/97 5.75pc
Do. 3½pc Deb 1¾pc
Do. 4pc Deb 2pc
Do. 5pc Deb 2½pc
Eldridge, Pope 4pc Deb 2pc
Electron House 6.5pc Pf 3.25p
Elliott (B) 7pc Pf 3.5p
Embassy Property 3p
Erskine House 7¼pc Pf 3.625p
Essex Water 9⅞pc Deb '97/99 4[illegible]pc
Do. 11.2pc Deb 2005/09 5.6pc
Do. 11.5pc Deb '95/97 5.75pc
Do. 11¾pc Deb 2002/04 5⅞pc
European Leis. 5.75p Pf 2.63699p
Extel 10½pc Pf 5.25p
Fairway (London) 1p
Fife Indmar 1p
First Chicago 50cts
Fitch Lovell 5.5p
Fitch RS 6p Pf 2007 3p
Fleming High Inc. Inv. Tst. 1.4p
Fleming Mercantile Inv. Tst. 2.25p
Fleming Universal Inv. Tst. 5pc Pf 1.75p
Foreign & Col. Inv. Tst. 1p
GTE 38.5cts
GWR 3p
General Cons Inv. Tst. 4.3p
Do. 5½pc Pf 1.925p
General Electric Co. 6.7p
Do. 7¼pc Ln '88/93 3⅝pc
Do. 7¼pc Ln '87/92 3⅝pc
Gibbon Lyons 4p
Gibbs Mew 3.75p
Glaxo 6¾pc Ln '85/95 1[illegible]pc
Granada 4.4p
Grand Metropolitan 7.6p
Do. 4¾pc Pf 1.6625p
Greycoat 2.8p
Do. 9½pc Pf 2014 4.75p
Greyhound Dial 35cts
Hambros 7½pc Pf 3.75p
Hamilton Oil "A" 48.75cts
Hampson Inds. 1.85p
Do. 6.5p Pf 3.25p
Harcourt Pf 2000/05 4p
Hardys & Hansons 6pc Pf 2.1p
Hazlewood foods 3.2p
Hewetson 2.9p
Heywood Williams 4.5p
Do. Pf 3.375p
Hiclare 1p
Hollas 1.6p
Hongkong & Shanghai Banking HK$0.13
Howden 3.86p
Hull 2½pc 1935 (or after) 1¼pc
Do. 3½pc 1¾pc
ITT 40cts
Illingworth Morris 6½pc Pf 2.275p
Do. 6½pc 2nd Pf 2.275p
Imperial Chemical Inds. 21p
In Shops 1.44p
Johnson, Matthey 5pc Pf 1.75p
Do. 8pc Pf 4p
Jourdan (Thomas) 1.8p
Keystone Inv. 11⅜pc Deb 2010/15 5 11/16pc
Kingsley & Forester 3.85pc Pf 1.925p
Kunick 7p Pf 3.5p
Do. 8¼p Pf 4.125p
Law Debenture 5.75p
Lawrence (Walter) 8.5pc Pf 4.25p
Lee Valley Water 5.95pc Pf '95/97 2.975p
Do. 7⅛pc Pf '97/98 3.5625p
Leeds (City of) 13½pc 2006 6¾pc
Legal & General 12⅛pc Nts 1992 £148.25
Leslie Wise 1.75p
Liverpool 3pc 1942 (or after) 1½pc
Do. 3½pc 1¾pc
London Amer. Ventures Tst 4pc Pfd 2p
London Secs 8.25p Pf 4.125p
Low (Wm) 6¾pc Pf 3.375p
Low & Bonar 2.7p
MEPC 10½pc Ln 2032 5¼pc
ML 2.6p
Mansfield Brewery 11½pc Deb 2010 5¾pc
Markheath Securities 4p
Marling Inds. 2.9p
Marshalls 3.75p
Do. 6.5p Pf 3.25p
McCarthy & Stone 8¾pc Pf 2003 4.375p
Menvier-Swain 4.7p
Menzies (John) 5.75p
Do. 9pc Pf 4.5p
Metropolitan Tst. 4½pc Pf 1.575p
Do. 5pc Pf 1.75p
Metropolitan Water Chelsea W.W. 2¾pc Deb 1897 1⅜pc
Do. Lambeth W.W. 3pc Deb 1.5pc
Do. West Middlesex W.W. 3pc Deb 1.5pc
Do. Met Water 3pc A 1963/2003 1.5pc
Mid Kent Hlds. 10pc Pf '97 5p
Mid Kent Water 8¾pc Pf '97 4⅜pc
Mid-Sussex Water 10pc Deb 2013/17 5pc
Do. 12pc Deb 2010 6pc
Molynx 1.25p
Morgan Crucible 3.5pc Pf 1.75p
Do. 3.85pc Pf 1.925p
Morris Ashby 2.4p
Morton Sundour Fabrics 5pc Pf 1.75p
National Westminster Bank 12pc Nts 1992 6pc
New South Wales Treasury 12.1pc Bds 1/4/95 6.05pc
Do. 12.5pc Bds 1/4/97 6.25pc
Do. 12pc Bds 1/10/90 6pc
Newcastle & Gateshead Water 7pc Pf 1994/96 3.5p
Nobo 4.18p
North Surrey Water 7pc 3.5p
Do. 4.9pc A 2.45p
Do. 4.9pc B 2.45p
Do. 3.5pc Pf 1.75p
Do. 3.5pc (Fmly 5pc) 1.75p
Do. 3.5pc 1.75p
Do. 3.15pc Pf 1.575p
Do. 3.85pc Pf 1.925p
Do. 4.2pc Pf 2.1p
North West Water 10.47p
Do. Int Cert. F. P. 10.47p
Do. Int Cert 170p Pd 10.47p
Do. Int Cert 100p Pd 10.47p
Northamber 2.5p
Northumbrian Water 10.69p
Do. Int Cert. F. P. 10.69p
Do. Int Cert 170p Pd 10.69p
Do. Int Cert 100p Pd 10.69p
Owners Abroad 0.825p
Do. 9¾p Pf 4.11p
P & P 1.25p
Paramount Comms. 17.5cts
P & O 5pc Pfd 1.75p
Pepe 4p
PLA 3½pc 1949/99 1¾pc
Porter Chadburn 1.45p
Prior 2.6p
Property Sec. Inv. Tst 2.25p
Prowting 8.8pc Pf 2002 4.4p
Queens Moat Houses 10¾pc Deb 2020 5⅜pc
Quotient 1p
Reading 3½pc 1.75pc
Relyon 1.75p
Republic New York 33cts
Rickmansworth Water 2.8pc Pf 1.4p
Do. 4pc Cons Deb 2pc
Do. 7½pc Deb 3¾pc
Robertson 3.2p
Robinson (Thomas) 1.5p
Ruston & Hornsby 8pc Deb '87/92 4pc
STC 4p
Saint Andrew Tst 2.5p
Sara Lee 21cts
Savoy Hotel 8½pc Ln '93/98 4¼pc
Scantronic 5¾pc Pf 2.875p
Sears Roebuck 50cts
Severn Trent 9.9p
Do. Int Cert. F. P. 9.9p
Do. Int Cert 170p Pd 9.9p
Do. Int Cert 100p Pd 9.9p
Shell Transport 5½pc Pf 1.925p
Siebe 10p
Smith (David S) 6.5p
South West Water 11.62p
Do. Int Cert. F. P. 11.62p
Do. Int Cert 170p Pd 11.62p
Do. Int Cert 100p Pd 11.62p
Southern Water 10.02p
Do. Int Cert. F. P. 10.02p
Do. Int Cert 170p Pd 10.02p
Do. Int Cert 100p Pd 10.02p
Sovereign High Yield 66cts
Speyhawk 9¾pc Pf 2014 4.875p
Sphere Inv. 5pc Pf 1.75p
Stavert Zigomala 18.36p
Sterling Publishing 4.5p
Stewart & Wright 6pc Pf 0.75p
Stormgard 1p
Stylo 6p
Sutton District Water 3.15pc Pf 1.575p
Do. 4.9pc Pf 2.45p
Do. 7pc Pf 3.5p
Symonds Eng. 7½pc Pf 2.625p
TNT O'seas Fince 8½pc Bds '90 4¼pc
TR Far East Income Tst. 1p
TR Trustees 6½pc Deb '87/92 3¼pc
TSB 3.15p
Taylor Woodrow 9½pc Deb 2014 4¾pc
Thames Water 10.07p
Do. Int Cert. F. P. 10.07p
Do. Int Cert 170p Pd 10.07p
Do. Int Cert 100p Pd 10.07p
Thwaites (Daniel) 5pc Pf 17.5p
Tinsley (Eliza) 3.4p
Town Centre Securities 10½pc Deb 2021 5¼pc
Treasury 2½pc (1975 or after) 1¼pc
Union Intl. 6pc Pf 2.1p
Union Square 0.2p
Unit 2.5p
Unitech 7.5p
Volex 10.5p
Wade Potteries 4.2pc Pf 1.05p
Wagon Indl. 10.25p
Water Hldg Co's. Package Units £103.23
Do. Int Cert. F. P. £103.23
Do. Int Cert £1700 Pd £103.23
Do. Int Cert £1000 Pd £103.23
Welsh Water 11.17p
Do. Int Cert. F. P. 11.17p
Do. Int Cert 170p Pd 11.17p
Do. Int Cert 100p Pd 11.17p
Wessex Water 10.14p
Do. Int Cert. F. P. 10.14p
Do. Int Cert 170p Pd 10.14p
Do. Int Cert 100p Pd 10.14p
West Hamps. Water "B" 24.5p
Do. 3.5pc 1.75p
West Trust 0.25p
Westerly 5.5p
Whitbread 5½pc Pf 1.925p
Do. 7pc Deb '88/93 3½pc
Do. 7¼pc Ln '95/99 3⅝pc
Do. 5¾pc Ln 2⅞pc
Wigan 3pc 1½pc
Wigfalls 6pc Pf 2.1p
Wilshaw 0.25p
Witan Inv. 8½pc Deb 2016 4¼pc
Wood (S.W.) 0.1p
Woolcombers 6pc Pf 2.1p
Do. 7½pc Pf 2.625p
Wyko 2.35p
Xerox 75cts
York Tst Pf 3.375p
Yorkshire Chemicals 4.5p
Yorkshire Water 10.28p
Do. Int Cert. F. P. 10.28p
Do. Int Cert 170p Pd 10.28p
Do. Int Cert 100p Pd 10.28p

■ TOMORROW
BOC 12¾pc Ln 2012/17 6⅜pc
Bardon 0.98p
Blagden Inds. 4.6p
Booth Inds. 2.6p
Broad Street 0.1p
Ellis & Everard 4.6p
Eurotherm Intl. 2.5p
Firth (G.M.) 2.75p
Fleming Far Eastern 4½pc Pf 1.575p
Do. 5pc Pf 1.75p
Gartmore American Secs. 0.9p
Hicking Pentecost 1.6p
Kalon 0.5p
Maxwell Comm. 6.6p
Merrydown Wine 6p
NFC 1.1p
NMC 2.3p
Oxford Insts. 2.7p
RCO 3.5p
Reliance Security 5.2p
Sainsbury 9¼pc Nts '96 4⅝pc
Sims Food 7.19p
Takare 0.35p
Utd. Scientific 0.5p
Do. 5.5pc Pf 2.75p
Wheway 1p
Williamson Tea 15p
Zetters 5.25p

■ WEDNESDAY OCTOBER 3
ASDA 2.95
British Gas 7.3p
Fobel Intl. 0.1p
Johnson Group Cleaners 7p
Kleinwort O'seas Inv. Tst. 1.5p
[illegible] 2.13p
Peel 7p
Penny & Giles Intl. 3p
Syltone 6p
Tomorrows Leisure 1p
Vardy (Reg) 2.4p
Williams 4.75p

■ THURSDAY OCTOBER 4
Burtonwood Brew. 7pc Pf 2.45p
Centex 10cts
Crosby (James) 2.9p
English & O'seas Props. 2p
Handley-Walker 3p
Impala Plat. 170cts
Kingspan Ir1p
LASMO 2.2p
MITIE 1p
Tomkins 5.55p
Victoria Carpet 4.5p
Waste Management 9cts

■ FRIDAY OCTOBER 5
Abbey Natl. Fltg Rate Nts '98 £379.03
Admiral 1.32p
Annuities 2½pc 1¼pc
Do. 2¾pc 1⅜pc
Banks (Sidney C) 4.5p
Barbour Index 4p
Bradford Prop. Tst. 10½pc Pf 5.25p
Do. 7pc Ln '92/97 3½pc
Braime (T.F. & J.H.) 1.75p
Do. "A" 1.75p
Britannic Assurance 8p
CRH Ir2p
Do. "A" Pf Ir2.62p
Cattle's 1.5p
Clarke Hooper 2.7p
Colman (E. Alec) Invs. 9pc Deb '87/92 4½pc
Consolidated 2½pc 1¼pc
Dale Electric Intl. 3.1p
Davies & Metcalfe 0.82p
Do. "A" 0.82p
Dunedin Inc. Growth Tst. 8p
Edinburgh Inv. Tst. 5¾pc Deb '98 2⅞pc
Francis Inds. 9pc Ln '94/99 4½pc
Freeman 3p
Funding 5¾pc Ln '87/91 2⅞pc
Liberty Life Assoc. of Africa 82cts
Lon. & New York Conv. Tst. 3.1375p
M & G Australasian & Gen Fd 1.6p
McMullen 10½pc Pf 5.25p
Do. 6½pc Pf 3.25p
Metropolitan Water West Middlesex W.W. 3pc Deb 1.5pc
Do. Grand Junction W.W. 3pc Deb 1.5pc
Mosaic Invs. 4.25p
Mount Charlotte Invs. 0.65p
Mountleigh 3.5p
Parambe 0.55p
Rea Bros. 0.25p
Real Time Control 1p
River & Merc. Tst. 1.6p
Scottish American Inv. 0.94p
Scottish National Tst. 2p
Sec. Pacific Fltg Rate Nts $218.82
Standard Chartered 12.5p
TI 6.5p
TLS Range 1p
Thorn EMI 21.5p
Tiphook 6.5p
Treasury 3pc 1½pc
Treasury 8pc Ln 2002/06 4pc
Watney, Mann & Truman 4¼pc Deb 2⅛pc
Do. 3¼pc Deb 1⅝pc
Yale & Valor 6.15p

■ SATURDAY OCTOBER 6
Bampton Prop. 7¾pc Ln '91/96 3⅞pc
Greenall Whitley 8¾pc Ln 4⅜pc
Do. 7pc Ln 3½pc
Saatchi & Saatchi 6.3pc Pf 3.15p
Trencherwood 0.5p
Whitbread 9pc Ln '97/01 4½pc

ECONOMICS

Anxiety levels likely to remain high

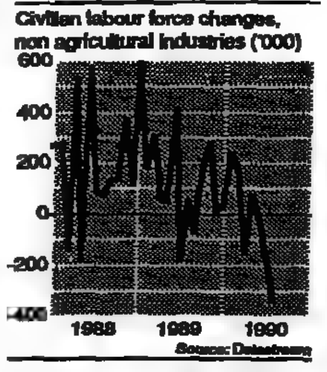
THE FLUCTUATING oil price is likely to keep the anxiety levels in world financial markets high this week, which is empty of significant economic statistics in the UK.

Today's figures for new credit advanced to consumers have been resilient even though retail sales have been falling. Analysts are presuming this is due to "distress" borrowing and rescheduling of debt as the economy adjusts to the "mini-recession".

In the US, the Federal Open Markets Committee (FOMC) meeting tomorrow is not expected to offer a further easing of monetary policy even through the US is heading into the fourth quarter in pretty poor shape. The labour market data at the end of the week – even if they show unemployment rising above 6.5 per cent – are not going to divert the Fed from its main objective: to prevent core inflation creeping up. It reckons that the unemployment rate needs to rise well above 6 per cent before it bears down on wage growth.

US employment

Civilian labour force changes, non agricultural industries ('000)



As the price rises, analysts are trying to assess the threat to European economic and monetary union. The impact of $25-$30 oil would be to raise inflation by 0.7 percentage points in 1991-92, causing the average gross domestic product in the EC to rise by 5.7 per cent next year. At the same time, the oil price shock will make the convergence of monetary and fiscal policies more strained.

The impact of the Gulf crisis on the UK economy in particular should come under scrutiny today in Blackpool, where the annual conference of the Labour party is to debate the economy.

In West Germany, the assessments of the costs of German unification are filtering through almost daily. The pan-German trade performance will be revealed this week in current account and balance of trade statistics, and industrial production data.

Other notable events and statistics, with median market forecasts from MMS International, the financial research company, include:

Today: UK, finished steel consumption, second quarter, final retail sales for August, credit business for August, sterling commercial paper, bill turnover for August and monetary statistics. Labour party conference begins in Blackpool. US, purchasing managers survey for September, August construction spending (down 0.7 per cent), Gramm-Rudmann spending cuts implemented.

Tomorrow: UK, September official reserves (down $150m). US, August new home sales (down 1.5 per cent).

Wednesday: UK, overseas travel and tourism for July, advance energy statistics for August, detailed analysis of employment, unemployment, earnings, prices. US, factory orders for August (down 0.3 per cent). West Germany, Unification Day – all markets closed.

Thursday: West Germany, Bundesbank council meeting. US, figures on growth of money supply.

Friday: UK, housing starts and completions. US, labour market statistics for September, including unemployment rate (5.7 per cent), consumer credit (up 1.5 per cent). Japan, current account for August.

Rachel Johnson

APPOINTMENTS

Finance director of Foseco

■ FOSECO has appointed Mr Andrew Strachan to the board. He is finance director, construction chemicals division, and is responsible for its international strategic development, with line responsibility for the relevant UK and Dutch operations. He will become group finance director on December 31 when Mr Robert Lambourne leaves the group to become group finance director of Hepworth.

■ Mr Peter Purchon, deputy chairman of Willis Wrightson, has been elected president of the CHARTERED INSURANCE INSTITUTE.

■ Mr Robert Lockwood has been appointed group treasurer of PILKINGTON. He was a principal with Coopers & Lybrand Associates.

■ THE FUJI BANK, London, has appointed Mr Michael Percy as assistant general manager and group head - aircraft and equipment finance. He joins from Hill Samuel Bank where he was a director, international banking department, responsible for aircraft and shipping finance.

■ TSB GROUP has appointed Mr Hugh Freedberg as a director and chief executive of the insurance and investment services division.

■ Mr Peter Edwards has been appointed an independent member of FIMBRA (Financial Intermediaries, Managers and Brokers Regulatory Association). He recently retired from Ernst and Young, and prior to the merger with Ernst and Whinney was the managing partner of Arthur Young.

■ Mr Nick Kirk, finance director of Newton Investment Management, has been appointed finance director of NEWTON MANAGEMENT (HOLDINGS).

■ Mr Alan Llewellin has been appointed sales director of BALFOUR BEATTY HOMES (SOUTHERN). He was regional sales director for Westbury Homes.

■ Mr Brian Bennett retires from the board of DIXONS GROUP at the end of the year, but remains on the board of the property division. Mr Barry Feinberg, president of Silo, joins the Dixons board, and Sir Derek Hornby, who recently retired as chairman of Rank Xerox (UK), becomes a non-executive director.

■ Mr Rodney G. Ward has been appointed a director of S.G. WARBURG GROUP, and head of the financing division in succession to Mr Andrew Stewart-Roberts who retires next year. Mr Ward was an S.G. Warburg & Co executive director in New York.

■ NDL INTERNATIONAL has appointed Mr Mark Patron as deputy managing director. He remains director of The Lifestyle Selector. Mr John Moore becomes chairman of Consumerlink, a subsidiary of NDL International. He was marketing director of NDL.

■ SMITHS INDUSTRIES has appointed Mr Einar Lindh as managing director of Portex and the associated UK Healthcare companies in the medical systems group of which he was director and financial controller.

Mr Gerry Bryant (*pictured*) has been appointed managing director of ORBIT FLIGHT TRAINING, East Midlands Airport. He was general manager passenger services of Britannia Airways. Orbit is jointly owned by Britannia and the Link-Miles division of the French electronics company Thomson-CSF.

WORLD STOCK MARKETS

INDICES

NEW YORK

DOW JONES	Sept. 28	Sept. 27	Sept. 26	Sept. 25	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Industrials	2452.48	2427.48	2459.65	2485.64	2999.75 (16/7)	2427.48 (27/9)	2999.75 (16/7/90)	41.22 (2/7/32)
Home Bonds	88.77	88.70	88.69	88.72	93.84 (3/1)	88.44 (24/9)	—	—
Transport	841.55	828.03	846.52	844.67	1212.77 (6/6)	828.03 (27/9)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	198.57	198.69	199.76	200.64	236.23 (2/1)	190.96 (24/8)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2465.59 (2492.33) Low 2367.82 (2396.29)

STANDARD AND POOR'S	Sept. 28	Sept. 27	Sept. 26	Sept. 25	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	306.05	300.97	305.06	308.26	368.95 (16/7)	300.97 (27/9)	368.95 (16/7/90)	4.40 (1/6/32)
Industrials	360.47	355.12	359.99	363.73	437.37 (16/7)	355.12 (27/9)	437.37 (16/7/90)	3.62 (21/6/32)
Financial	20.87	19.88	20.63	21.21	31.87 (3/1)	19.88 (27/9)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	167.88	165.36	167.92	169.20	201.13 (16/7)	165.36 (27/9)	201.13 (16/7/90)	4.46 (25/4/42)
Amex Mkt. Value	307.72	305.43	310.06	313.17	382.45 (5/1)	305.43 (27/9)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	344.52	341.19	350.83	354.78	469.60 (16/7)	341.19 (27/9)	485.73 (9/10/89)	54.87 (31/10/72)

	Sept.21	Sep.14	Sept 7	year ago (approx.)
Dow Industrial Div. Yield	4.03	3.95	3.86	3.75

	Sept 26	Sep.19	Sept12	year ago (approx.)
S & P Industrial div. yield	3.49	3.29	3.28	2.76
S & P Ind. P/E ratio	14.35	15.12	15.44	14.35

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Unisys	3,615,100	5	- ¼
Citicorp	3,500,600	14¾	+ ¼
Gen. Electric	2,811,900	54⅜	+ 2⅛
Philip Morris	2,644,300	45⅝	+ 1⅛
Comm. Edison	2,452,700	28⅝	+ ¼
Chase Manhtn.	2,414,100	11⅞	+ ⅜
Wal-Mart	2,117,800	27⅛	+ ⅜
Pepsico	2,090,600	23	+ ⅜
IBM	1,975,100	106⅜	+ 2
Bk.of Boston	1,892,100	7⅝	+ ¼

TRADING ACTIVITY

† Volume Millions	Sept. 28	Sept. 27	Sept. 26
New York	201.010	182.690	157.480
Amex	12.824	12.826	9.722
NASDAQ	(u)	153.277	118.712
Issues Traded	(u)	1,992	1,987
Rises	885	398	421
Falls	609	1,191	1,118
Unchanged	(u)	403	448
New Highs	(u)	1	2
New Lows	(u)	411	310

CANADA

TORONTO	Sept 28	Sept 27	Sept 26	Sept 25	1990 HIGH	1990 LOW
Metals & Minerals	2850.86	2868.40	2873.50	2900.70	3453.05 (4/1)	2850.80 (23/9)
Composite	3159.37	3161.49	3181.48	3205.85	4009.47 (3/1)	3159.37 (28/9)
MONTREAL Portfolio	1675.12	1670.81	1681.40	1692.99	2060.90 (3/1)	1670.81 (27/9)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Friday 28 September 1990

	Stocks Traded	Closing Prices	Change on day
Kobe Steel	16.1m	450	-20
Hitachi	11.4m	1,140	-80
Nippon Steel	10.9m	386	-18
Matsushita	7.1m	1,650	+70
Toshiba	6.6m	734	-44
NKK	6.0m	373	-27
MHI	6.4m	637	-37
Iseki Co	5.8m	982	-188
Marubeni	5.3m	650	-1
Kawasaki Steel	5.0m	400	-1

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FT MANAGED FUNDS SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 44p per minute peak and 33p off peak, inc VAT

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CANCELLATION PRICE

TIME

HISTORIC PRICING

FORWARD PRICING

SCHEME PARTICULARS AND REPORTS

FT MANAGED FUNDS SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4.+ five digit code (listed below). Calls charged at 44p per minute peak and 33p off peak, inc VAT.

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Target Trust Mngrs Ltd (1600)F						
Target Hse, Gatehouse Rd, Aylesbury Bucks						
Admin 0296 394000			Dealing: 0296 312156			
American Eagle	5	57.41	57.41	61.34	1.26	41482
Australia	5	6.139	6.139	6.567	4.06	41483
Equity	5	133.5	133.5	143.3	5.37	41486
Euro Spec Sits	5	93.13	93.13	100.4	0.69	41487
Financial	5	[illegible]	[illegible]	[illegible]	3.45	41488
Global Opps Inc	5	[illegible]	[illegible]	[illegible]	0.00	41489
Global Opps Acc	5	55.34	55.34	59.52	0.00	41490
Gold & Gen Inc	5	41.77	41.77	44.93	0.89	41491
Gold & Gen Acc	5	77.86	77.86	83.56	0.89	41492
Income	5	81.37	81.37xd	87.69	7.07	41493
Japan & General	5	94.90	94.90xd	102.2	0.00	41494
Preference Share	5	17.07	17.07	18.38	14.63	41497
UK Capital	5	72.77	72.77	78.11	4.47	41500
World Income	5	51.65	51.65	55.36	6.38	41501
Worldwide Capital	5	138.8	138.8	149.4	0.66	41502
Templeton Unit Trust Managers Ltd (1200)F						
Atholl Crescent, Edinburgh EH3 8HA				031 228 3932		
Global Growth Acc	6	93.76	94.48	101.05	3.73	46671
Global Growth Inc	6	90.08	90.78	97.09	3.73	46672
Global Balanced Acc	6	93.47	93.94	100.47	4.98	46669
Global Balanced Inc	6	88.87	89.31	95.32	4.98	46670
Value Tst Acc	6½	67.94	69.01	73.80	4.66	[illegible]
Value Tst Inc	6½	66.25	67.29	71.96	4.66	46990
Intl Pro & Ch tas Inc ψ	2	90.06	91.58	96.14	3.88	46989
Intl Pro & Ch tas Acc ψ	2	88.31	89.79	94.27	3.88	41585
Thornhill Unit Trust Managers Ltd (1200)F						
28 St John's Sq, London EC1M 4AE				071-251 6767		
Capital	5	43.89	44.17	46.98	–	47874
Overseas	5	39.25	39.47	41.98	–	45776
Thornton Unit Managers Ltd (1000)F						
33 Cavendish Sq., London W1M 0DH				071-493 7262		
Dealing 071-493 8545						
American Opps	5	41.86	41.86	44.64	0.25	41506
(Accum Units)	5	43.08	43.08	45.94	0.25	41507
Cash	0	50.42	50.42	50.42	14.75	45247
Accum Units	0	50.42	50.42	50.42	14.79	45248
European Opps ‡	5	58.24	58.24	62.11	0.00	41508
(Accum Units) ‡	5	58.56	58.56	62.45	0.00	46366
Far Eastern Opps	5	94.02	94.02	100.28	0.00	41509
(Accum Units)	5	94.62	94.62	100.92	0.00	41510
Golden Opps	5	31.47	31.47	33.55	0.00	–
(Accum Units)	5	32.37	32.37	34.51	0.00	–
Intl Hi Yield	5	47.01	47.01	50.14	5.49	41512
(Accum Units)	5	51.25	51.25	54.66	5.49	46368
Sanyo Japan Tst	5	49.09	49.09	52.35	0.00	41513
(Accum Units)	5	[illegible]	[illegible]	[illegible]	[illegible]	41514
Kangaroo	5	26.29	26.29	28.03	1.49	–
(Accum Units)	5	27.45	27.45	29.27	1.49	–
Little Dragons	5	34.09	34.09	36.35	0.00	43157
(Accum Units)	5	34.09	34.09	36.35	0.00	43158
Oriental Income	5	27.68	27.68xd	29.51	5.93	41516
(Accum Units)	5	32.04	32.04xd	34.17	5.93	41517
Tiger	5	108.83	109.83	116.08	0.95	41520
(Accum Units)	5	110.91	110.91	118.29	0.95	41521
UK Hi-Yield	5	34.14	34.14	36.41	6.28	41522
(Accum Units)	5	39.95	39.95	42.61	6.28	46302
UK Smllr Cos	5	45.47	45.47	48.62	0.87	41523
(Accum Units)	5	49.54	49.54	52.98	0.87	41524
Three Counties Asset Mngmt Ltd (1430)F						
Cuthbert House, Tower Road, Washington NE37 2SH				091 415 3034		
Balanced Portfolio	6	81.50	83.32	89.32	6.20	42962
Cash Deposits ψ		£01.93	101.93	101.93	14.00	44090
Timberlake Trust Mngrs Ltd (0900)F						
1 White Hart Yard, London SE1 1NX				071-407 5966		
Portfolio		2[illegible] 97	86.97	[illegible]	[illegible]	42679
Touche Remnant Unit Tst Mngt Ltd (1600)F						
Mermaid Hse, 2 Puddle Dock, EC4V 3AT				071-248 1250		
4 Hourly Prices – 12 Noon Historic						
TR American Gwth	5¼	35.38	35.38xd	37.73	0	41525
TR Eur Sp Sits Acc	5¼	34.12	34.12	36.57	0	41526
TR Eur Sp Sits Inc	5¼	33.46	33.46	35.86	0	41527
TR Far East Opps Inc	5¼	14.91	14.91	15.97	0	41660
TR Far East Opps Acc	5¼	14.91	14.91	15.97	0	41685
TR General Growth	5¼	62.75	62.75	66.75	2.60	41528
TR Global Tech	5¼	54.64	54.64	58.49	0	41529
TR Income Growth	5¼	72.28	72.28	76.89	5.11	41530
TR Income Monthly	5¼	43.00	43.00	46.50	8.25	41531
TR Japan Growth	5¼	57.64	57.64	61.58	0	41535
TR Overseas Growth	5¼	49.80	49.80	52.06	0	41533

	Bid Price	Offer Price	Yield Gross	City-line
Murray Johnstone UT Mngmt				
Murray Exempt Funds				
Amer Exmt Sept 26	38.2	39.6	2.81	41064
Euro Exmt Sept 26	46.2	48.5	2.93	41065
Fixed Int Ex Sept 26	42.6	43.7	11.57	46594
Japan Exmt Sept 26	38.2	39.8	0.91	41066
Managed Ex Sept 27	36.5	37.9	5.72	41067
SE Asia Exmt Sept 26	53.9	56.5xd	3.77	41068
Sm Cos Exmt Sept 26	29.4	30.8	5.44	41069
UK Eqty Ex Sept 26	34.1	35.8xd	5.63	41070
Phillips & Drew Fund Management Ltd				
Small Co's Sep 5	641.8	685.8	5.25	41138
Do Accum	706.9	755.2	5.25	41139
Int Exmt Sept 27	146.8	149.2	3.8	41140
UK Index Sept 5	1015	1035	5.1	46945
Do Accum	1059	1080	5.1	46946
Convertible Sept 24	78.71	81.18	9.0	46938
World ex UK Index Sept 24	637.6	646.2	2.56	47887
Do Accum	637.6	646.2	2.56	47888
Japan Index Sept 24	516.0	523.4	0.6	47881
Do Accum	517.0	524.3	0.6	47882
USA Index Sept 24	730.1	735.1	3.9	47885
Do Accum	740.4	745.4	3.9	47886
Europe ex UK Index Sept 24	775.1	794.1	3.2	47879
Do Accum	787.2	806.3	3.2	47880
Pacific ex Jap Index Sept 25	776.8	799.4	5.8	47883
Do Accum	791.5	814.4	5.8	47884
Managed Exempt Sept 27	87.75	89.29	5.85	40338
American Exempt	–	–	–	–
European Exempt	–	–	–	–
Japan Exempt	–	–	–	–
Pacific Basin	–	–	–	–
NM Rothschild Asset Management Ltd				
NC Managed	51.0	54.3xd	4.37	40339
NC Property	179.5	196.5	–	41200
J. Rothschild Fund Managers Ltd				
Intl Exempt Accum	130.5	131.6	2.97	44085
Stewart Ivory & Co Ltd				
Saints PPP Aug 23	245.8	258.1	–	41422
Closed to new business				
Thornton Unit Managers Ltd				
Managed Exempt Sept 17	89.02	94.25	4.39	46975
(Accum Units)	90.76	96.12	4.39	46976
Touche Remnant Unit Tst Mngt Ltd				
TR Exempt European	932	947	2.81	47801
TR Exempt Nth Amer	740	757	4.29	47802
TR Exempt Pac Basin	625	635	1.98	47803

INSURANCES

	Bid Price	Offer Price	Yield Gross	City-line
AA Friendly Society				
(Investment Mngt M & G Inv Mngt Ltd)				
AA Friendly Sy Sept 14	–	162.0	–	41607
Abbey Life Assurance Co Ltd				
80 Holdenhurst Road, Bournemouth				0202 292373
Prop Ser 1	284.5	299.5	–	41608
Equity Ser 1	108.0	113.7	–	41609
Prop. Acc Ser 2	438.3	461.4	–	41610
Equity Ser 2	128.9	135.7	–	41611
Selective Acc	318.6	335.4	–	41612
Prop Ser 4	353.2	371.8	–	41613
Equity Ser 4	138.2	145.5	–	41614
Man Ser 4	407.9	429.4	–	41620
Fixed Int Ser 4	222.1	233.8	–	41615
Indexed Inv Ser 4	146.4	154.2	–	41616
American Ser 4	269.9	284.2	–	41617
Japan Ser 4	239.2	251.8	–	41619
European Ser 4	107.3	113.0	–	41622
High Inc Ser 4	413.8	435.6	–	41618
Money Ser 4	257.5	271.1	–	41621
Intl Ser 4	101.9	107.3	–	47021
Custodian Ser 4	101.4	106.8	–	47022
Pension Funds				

[illegible]

OTHER UK UNIT TRUSTS

[illegible]

Continued on next page

FT MANAGED FUNDS SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 44p per minute peak and 33p off peak, inc VAT

J. D. Ward Financial Services Ltd
9 Kingsway London, WC2 B6XF 01-836 4321

	Bid Price	Offer Price	Yield Gross	City-line
Target Mngd Bond	184 2	193 9	-	44591
Target Mngd Pension	111.2	117 1	-	44592
Albany Life Acc	165 0	173 7	-	41721
Albany Pens Acc	203 0	214 5	-	41722

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Orion Fund Limited
6 Front St, Hamilton, HM11, Bermuda 809 295 4000

Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Orion		$-	10 00		-	-

CANADA (SIB RECOGNISED)

Ivory & Sime Pembroke Inc
UK Agent, Ivory & Sime Plc, One Charlotte Square, Edinburgh EH2 4DZ 031 225 1357

GBC Nth America Inc*		C$-	2.59		-	46268
Approx Stlg Equiv		£-	1 19		-	[illegible]

*Dealing Thursday–Forward Redemption Fee 1%

GUERNSEY (SIB RECOGNISED)

Adams & Nevile Fd Mangt (Guernsey) Ltd
PO Box 255 St Peter Port Guernsey CI 0481 710651

BBV–Hambros Asset Mngmt (Guernsey) Ltd
PO Box 255, St Peter Port, Guernsey CI 0481 710651

Cigna International Fund Mngrs (CI) Ltd
PO Box 208 St Peter Port, Guernsey 0481 714315

OFFSHORE INSURANCES

MANAGEMENT SERVICES

GUERNSEY (REGULATED)

FT MANAGED FUNDS SERVICE

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	Bid Price	Offer Price	Yield Gross	City-line
Arab Bank Fund Managers (Guernsey) Ltd				
ABL International Fund Ltd				
US Dollar Money	$10.26	10.26	–	47942
Managed Currency	$10.30	10.31	–	47941
International Bond	$10.13	10.15	–	47940
Baring Int Fund Managers Guernsey Ltd				
Mngd Portfolio (Dllr)	$9.63	10.23	–	47318
Mngd Portfolio (Stlg)	£3.75	4.03	–	47319
Baring Currency Fund Ltd				
US Dollar		$14.43	–	44754
Sterling		£17.45	–	44755
Deutschemark		DM37.72	–	44756
Japanese Yen		Y3772	–	44757
Managed	$39.90	41.89	–	44758
Dartrust Management (Guernsey) Ltd				
Dartrust Limited	DM114.60	114.80	–	44873
Fipart-Conseil Fund Mngrs (Guernsey) Ltd				
Hauteville G & B Fd	SFr7.95	8.02	2.76	46845
John Govett Mngmnt International Ltd				
Govett High Inc Gilt	10.3349	0.3590	14.48	45140
Govett Far East Inv	$0.837	0.895	–	45141
Energy & Resources	$0.700	0.748	–	45142
Hambros Fund Managers (CI) Ltd				
Japanese OTC	$8.2541	8.7832	–	43785

	Bid Price	Offer Price	Yield Gross	City-line
Sarasin (Isle of Man) Ltd				
Fergus Fd Sept 20	£11.81		–	47346
UK Trust Sept 20	£8.38		–	47347
Target International (Isle of Man) Ltd				
IMC Offshore Fd	£7.69	8.32	–	46450
Fleet Street Inv Fd	£6.88	7.32	–	46578
Offshore Income Fd Ltd	£8.86	9.31	–	46580
Robert Niles W/W S/S	£9.09	9.61	–	46581
Tattersall Intl Assets	£6.94	7.24	–	46805
Tyndall International (Isle of Man) Ltd				
H.I. Gilt/Bulldog	96.6	–	–	45884
(Accum Shares)	154.0	161.8	–	45885
Unibank Scandinavian Fund Ltd				
Scandinavia Fd	£172.48	183.58	1.61	48003

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)

IRELAND (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

MONEY MARKETS

Peseta in demand

The Bank of Spain has tried hard to develop a reputation for monetary stringency since the peseta joined the exchange rate mechanism of the European Monetary System in June 1989. Indeed, it has among the tightest of policies in Europe.

UK clearing bank base lending rate 15 per cent from October 5, 1989

High interest rates carry political and economic dangers, as has been seen in other countries. Investors in the peseta right now see it as a one-way bet, and last week the Bank of Spain was attempting to prevent the D-Mark falling below the important Pta62.40 level. The Bank told dealers in Madrid that it did not want the D-mark to fall below Pta62.40 and intervened to sell pesetas for dollars.

The central bank's latest intervention in the market appears to have reduced the recent strong demand for the Spanish currency. However, this may not last for long. With Spanish inflation at 6.5 per cent, the government's year-end target of a rate of 6.7 may well be breached. Independent analysts expect inflation to rise to 7.5 per cent by December.

Meanwhile, Spanish trade unions are concerned over the possibility that the government will introduce an austerity budget, and there is talk of a general strike in December. Within the government itself, there are serious differences, but more to do with personalities than the management of the economy.

Against this background, short-term interest rates have been kept high to guard against any sudden loss of confidence. Mr Christian Dunis of Chemical Bank in London believes that there is little prospect of a significant depreciation of the peseta. However, that could well be altered by either political or social uncertainty, or a possible combination of both, fueled in part at least by high interest rates.

£ IN NEW YORK

Sept.28	Close	Previous Close
£ Spot	1.8780-1.8790	1.8765-1.8775
1 month	1.04-1.02pm	1.04-1.02pm
3 months	2.98-2.95pm	2.98-2.95pm
12 months	9.80-9.70pm	9.80-9.70pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Sept.28	Previous
8.30 am	93.4	93.4
9.00 am	93.3	93.3
10.00 am	93.4	93.2
11.00 am	93.4	93.4
Noon	93.4	93.4
1.00 pm	93.4	93.4
2.00 pm	93.4	93.4
3.00 pm	93.3	93.5
4.00 pm	93.3	93.5

CURRENCY MOVEMENTS

Sept.28	Bank of England Index	Morgan** Guaranty Changes %
Sterling	93.3	-18.9
U.S. Dollar	62.9	-16.0
Canadian Dollar	103.0	+1.0
Austrian Schilling	109.7	+11.7
Belgian Franc	111.5	-2.3
Danish Krone	110.6	+4.9
Deutsche Mark	118.9	+24.6
Swiss Franc	116.9	+25.3
Guilder	114.6	+16.0
French Franc	105.4	-11.3
Lira	99.5	-19.8
Yen	129.1	+61.1

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Sept 27.

CURRENCY RATES

OTHER CURRENCIES

POUND SPOT - FORWARD AGAINST THE POUND

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

EXCHANGE CROSS RATES

EURO-CURRENCY INTEREST RATES

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

CHICAGO

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

RIGHTS OFFERS

BANK OF ENGLAND TREASURY BILL TENDER

WEEKLY CHANGE IN WORLD INTEREST RATES

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

MONEY MARKET FUNDS

Money Market Trust Funds

CAF Money Management Co Ltd
48 Pembury Road, Tonbridge TN9 2JD 0732 770114

The COIF Charities Deposit Account
2 Fore Street, London EC2Y 5AQ 071-588 1815

Cent. Bd. of Fin. of Church of England
2 Fore Street, London EC2Y 5AQ 071-588 1815

Gartmore Money Management Ltd
2-3 White Hart Yard, London SE1P 1NX 071-236 1425

Money Market Bank Accounts

Aitken Hume Bank plc
30 City Road, EC1Y 2AY 071-638 6070

Allied Trust Bank Ltd
97-101 Cannon St, London, EC4N 5AD 071-629 6602

American Express Bank Ltd

Bank of Ireland High Interest Cheque Acc

Bank of Scotland

Barclays Capital Advantage Account

Barclays Prime Account H.I.C.A.

Clydesdale Bank PLC

Co-operative Bank Top Tier

Coutts & Co

Dartington & Co Ltd

Edington Plc

Financial & General Bank plc

Gartmore Money Management Ltd

Girobank plc High Interest Cheque Acc

Humberclyde Finance Group

Lloyds Bank - Investment Account

M & G/Kleinwort Benson

Midland Bank plc

NatWest Special Reserve Account

Wimbledon & South West Finance Co Ltd
114 Newgate St, London EC1 7AE 071-606 9485

NOTES-Gross rate to those exempt from composite rate of tax. Net actual rate after deduction of CRT. Cr Equiv CAR. Gross equivalent to basic rate taxpayers. Compounded annual rate. Int Cr frequency interest credited.

FINANCIAL TIMES STOCK INDICES

	Sep 28	Sep 27	Sep 26	Sep 25	Sep 24	Sep 21	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs.	78.09	77.98	78.13	78.38	78.45	78.56	84.20	74.13	127.4	49.18
Fixed Interest	86.88	86.57	86.95	86.67	86.63	86.62	92.91	83.80	105.4	50.53
Ordinary	1535.7	1548.1	1532.6	1526.6	1510.4	1537.3	1968.3	1510.4	2008.6	49.4
Gold Mines	200.7	198.1	197.5	195.9	184.6	186.1	378.5	167.9	734.7	43.5
FT-Act All Share	982.18	970.90	968.97	965.38	962.09	977.59	1226.83	962.09	1238.57	61.92
FT-SE 100	1990.2	2008.1	2000.0	1989.2	1990.3	2025.5	2463.7	1990.2	2463.7	986.9

LONDON SHARE SERVICE

BRITISH FUNDS

BRITISH FUNDS—Contd

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Contd

CANADIANS

Continued on next page

LONDON SHARE SERVICE

● For Latest Share Prices on any telephone ring direct-0836 43 + four digit code (listed below). Calls charged at 44p per minute peak and 33p off peak, inc VAT.

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS — Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS — Contd

[illegible]

ENGINEERING

[illegible]

ENGINEERING — Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) — Contd

[illegible]

INDUSTRIALS (Miscel.) — Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

هكذا اصل الأصل

LONDON SHARE SERVICE

● For Latest Share Prices on any telephone ring direct-0836 43 + four digit code (listed below). Calls charged at 44p per minute peak and 33p off peak, inc VAT

MOTORS, AIRCRAFT TRADES — Contd

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

INVESTMENT TRUST

[illegible]

INVESTMENT TRUST—Contd

[illegible]

INVESTMENT TRUST—Contd

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

Miscellaneous

MINES—Contd

[illegible]

THIRD MARKET

[illegible]

For Sunward Studios see LEISURE

Stock	Price	+/-	Div	Yld	Paid	City
Systems Connections	2	-11.1	–	–	–	5341
Tomorrows Leisure 20p	59	-1.7	2.3	24.9	October	4248
UPL Group 10p	29	.....	–	22.5	Dec July	4362
Unit Group	180	.....	3.7	9.7	Jan Aug Oct	4357
Video Magic Leis 1p	28	.....	9.5	26.1	Jan July	5071
Vista Ents 5p	2½	11.1	–	–	–	3994
Vizcaya Hldgs 5p	8	.....	–	–	–	4193
Wilton Group 1p	2½	.....	–	–	–	3628

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices are in pence and denominations are 25p. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ☆ Not officially listed.
- ¶ Price at time of suspension
- ♦ Not comparable
- † Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date.
- ‡ No par value

B.Fr. Belgian Francs. Fr. French Francs ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. c Cents. e Redemption yield. f Flat yield. k Kenya. C Canadian. E Minimum tender price.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+/-
Craig & Rose £1	780	.....
Finlay Pkg. 5p	48	-5.9
Holt (Jos) 25p	1305	.....

IRISH

Stock	Price	+/-
Cap. 8½% Ln. 1991	£98	.....
9pc Cap Ln. 1996	£92½	.....
Fin 13% 97/02	£109	0.5
Arnotts	180	.....
Carrol (P.J.)	115	.....
Hall (R. & H.)	145	.....
Heiton Hldgs	58	.....
IRG	158	.....
United Drug	138	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	40
Amstrad	7
Astec (BSR)	6
BAT	45
BOC Grp	39
BTR	29
Barclays	27
Blue Circle	17
Boots	21
Bowaters	41
Brit Aerospace	43
British Steel	13
Brit. Telecom	22
Cadburys	26
Charter Cons	37
Comm Union	37
Courtaulds	25
Eurotunnel	55
FKI	5½
FNFC	20
Gen Accident	46½
GEC	14
Glaxo	57
Grand Met	44
Guardian	15
GKN	27
Hanson	16
Hawker Sidd	39
ICI	78
Ladbroke	22
Legal & Gen	29½
Lex Service	28
Lloyds Bank	21
Lucas Inds	11
Marks & Spencer	18
Midland Bk	20
Nat West Bk	18
P & O Dfd	42
Polly Peck	40
Racal Elect	14
RHM	23
Rank Org Ord	49
Reed Intnl	38
STC	19½
Sears	6½
SmKl. Beecham A	44
TI	37
TSB	18
Tesco	19
Thorn EMI	49
Trust Houses	22
T&N	14
Unilever	50
Vickers	19
Wellcome	38

Property	
Brit Land	29
Control Secs	4
Land Securities	42
MEPC	38
Mountleigh	11

Oils	
Aviva Petlm	3½
Brit Petroleum	28
Burmah Castrol	44
Conroy Petlm	20
Gaelic Res	2
Premier	8½
Shell	40
Tuskar Res	6
Ultramar	31

Mines	
Lonrho	21
RTZ	40

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £1050 per annum for each security.

FT Share Service

The following changes have been made to the FT Share Information Service:

Deletions: Brunswick NL (Section: *Mines-Australians*).

Clayton Robard (Trusts, Finance, Land).

Malaysia 10¾ % Loan 2009 (Int. Bank & O'seas).

Musterfin (Newspapers).

4pm prices September 28

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
37½	12⅛	AAR	[illegible]	3.8	6	528	12½	d11⅞	12¼	– ⅛
9⅝	7⅝	ACM n	1.01	[illegible]		430	8	7⅞	8	+ ⅛
11⅞	8⅝	ACMIn	1.23	14.		614	8¾	8⅝	8⅝	– ⅛
9¼	6½	ACM M	n1.01	15.		344	6¾	6½	6⅝	+ ⅛
12⅛	10	ACMMM	1.50	13.		182	11⅝	11½	11⅝	+ ⅛
11⅞	8¼	ACM Sc	1.25	14.		1522	8⅞	d 8⅝	8⅞	+ ⅛
9⅞	7⅛	ACMSp	1.01	13.		792	7⅞	7⅝	7⅞	+ ⅛
24⅞	14⅞	AL Lab	.16	.9	16	142	18⅞	18	18⅛	– ⅛
6⅞	1⅛	AM Intl				147	1½	1⅜	1½	+ ⅛
23⅛	7	AM In pf	2	25.		38	8⅛	8	8⅛	
107⅛	39⅞	AMR			9	4021	42⅛	40½	42⅛	+1
4⅛	2⅞	ARX			9	20	3	3	3	+ ⅛
72⅛	42⅞	ASA	3a	6.1		685	50⅞	48⅞	49⅛	– ⅞
43⅞	30⅞	AbtLab	s.84	2.1	19	8807	39⅞	37⅞	39⅞	+1⅞
14⅞	11⅞	AbitibI	g .50			48	12⅞	12⅞	12⅞	
11⅞	8⅞	AcmeC	.40	7.3	7	1137	8½	d 8⅛	8½	+ ⅛
9⅛	6⅛	AcmeE	.32	5.2	6	6	6⅛	6⅛	6⅛	– ⅛
32⅞	19⅞	Acuson	s		24	839	28	28⅞	28	+1½
16⅞	14⅛	AdaEx	2.09e	14.		144	14⅛	14⅛	14⅛	
18⅞	10	Adobe				11	12⅞	12⅛	12⅛	– ⅛
20⅛	17½	Adob pf	1.84	10.		7	17⅞	17⅞	17⅞	– ⅛
21⅞	19⅛	Adob pf	2.40	12.		41	20	20	20	+ ⅛
11⅞	4⅞	AMD			20	2775	5⅛	4⅞	5	– ⅛
32⅞	19	AMD pf	3	16.		222	19	d18⅞	18⅞	– ⅞
9⅛	2	Advest	.16	6.7	30	2880	2⅞	2	2⅞	+ ⅛
62½	35⅛	AetnLf	2.76	7.3	8	4165	38	35⅞	38	+2⅛
13⅛	8⅛	AfilPb	.24	2.9		1672	8⅞	d 8	8⅞	+ ⅛

Continued on Page 41

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NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
12½	2½	Reece	.05j			11	3	2⅞	3	+ ⅛
½	5-32	Regal				88	11-32	5-16	11-32	
15¼	7	ReichTg	1.52	20.	4	306	7½	d 6⅞	7½	+ ¼
7⅝	4⅜	RelGrp	.32	6.1		201	5¼	5⅛	5¼	+ ⅛
30⅜	19½	Repsol	n.85e	4.2		2085	20⅝	20¼	20⅜	− ⅜
5	3⅜	RepGyp	.19t	5.2	91	30	3⅝	3⅝	3⅝	− ⅛
62⅞	37½	RepNY	1.32	3.4	121	161	39¼	d37⅝	39¼	+ 1¼
44	40¼	RNY pfB3.54e		9.3		16	38¼	d38¼	38¼	
3⅛	1⅛	Revlon				105	1⅝	1½	1⅝	
27⅛	12⅝	ReyRey	.80	6.2	5	285	13⅛	12¾	13	+ ⅛
70	48½	ReyMtl	1.80	2.9	8	2050	63	60¼	62	+ ⅞
67⅞	56¼	RP Ror n				1095	60½	60¼	60⅜	− ⅜
3⅞	1⅛	RhnP wt				140	1	d ⅞	⅞	− ⅛
22	9⅞	RhoPl pf1.60e		15.		12	10½	10⅜	10⅜	− ⅛
41½	29½	RiteAid	.90	2.9	12	746	31⅛	29½	31	+ ⅛
11-32	3-64	RvrOak				107	1-16	7-128	7-128	− 1-128
18½	10⅞	RobtsH			8	16	10⅞	d10⅞	10⅞	
14¼	6⅞	Robtsn				127	7⅛	6⅞	7⅛	+ ⅛

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25⅞	14¼	Wynns	.80	5.9	10	14	15¼	13⅜	13⅝	− ⅛
		− X−Y−Z −								
69⅞	32¼	Xerox	3	8.8		63807	34⅛	32⅝	34⅛	+ 1
46	45	Xerox pf4.13		9.2		8	45	45	45	
32⅜	15½	XTRA	.72	4.3		52	16⅞	16⅝	16⅞	− ⅛
25¼	16¼	XTRA pf1.94		12.		10	16½	16½	16½	− ½
4	1¼	Zapata				522	1¼	1⅛	1¼	
8⅞	5	Zemex				8	5½	5½	5½	+ ⅛
17⅞	5¼	ZenithE				694	5⅝	5¼	5⅝	
19½	13⅝	ZenNtl	.88	6.8	5	91	13½	d13½	13⅛	− ⅜
6⅝	4½	Zenix	.93	19.		174	5	5	5	− ⅛
17½	10⅞	Zero	.40	3.9	10	690	10⅞	d10⅞	10⅞	
61⅛	30⅞	Zurnin	.76	2.4	14	510	32	d30½	32	+ 1
12⅝	10⅛	Zweig	1.19e	12.		400	10⅜	10¼	10⅛	− ⅛
10	8½	ZweigTl	.96	11.		1387	8⅝	d 8⅝	8½	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months.g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months,plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales infull. yld-yield. z-sales in full.

NASDAQ NATIONAL MARKET

4pm prices September 28

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						

AMEX COMPOSITE PRICES

4pm prices September 28

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
[illegible]							

Continued

MONDAY INTERVIEW

Return of the empire builder

Carlo De Benedetti, the Italian financier, talks to **John Wyles** and **Haig Simonian**

De Benedetti Redevivus. After a long period of self-imposed silence, L'Ingegnere, Italy's best known financier, is giving interviews again. Not as a diminished force – which was how he was pictured by most of the Italian media earlier in the year when he appeared to be losing control of Mondadori to Mr Silvio Berlusconi – but as a man still in control of one commanding height of the Italian economy, Olivetti, and also of a broadly based international business.

Mr Carlo De Benedetti remains one of the most acute observers of economic and political trends and of the interplay between them. He is also decidedly clear about his business strategy: exit De Benedetti financier and stock market player of the 1980s, enter De Benedetti industrialist bent on building up what he has, rather than adding new activities to his string.

For the moment he is wearing Cassandra's garb; "The best is over on the economic front," he says. He is pessimistic about the US economic outlook, pessimistic about the impact on Europe of what he believes to be an inevitable recession in the US, consequently somewhat pessimistic about the short term outlook for some of his own businesses and pessimistic about business opportunities in eastern Europe.

"I am tightening my belt," he says when asked how he is confronting the colder wind blowing from across the Atlantic. He explains in deep, almost guttural tones that this means budgeting for zero growth in some sectors, such as automotive components, and cutting costs in all areas, often, but not exclusively, by cutting jobs. "The problem now is that, unlike at the end of the 1970s, we don't have the same capacity to regain productivity through reorganisation of the factories and better labour practices."

Inevitably, talk of recessions and difficult markets leads to Olivetti and the growing uncertainty as to whether it remains, as it once was, the jewel in the De Benedetti crown. There are some who hold that Olivetti would be doing much better if its president had devoted more time to running it than to masterminding financial deals like the ultimately unsuccessful takeover of Belgium's SGB.

His answer was somewhat involved and took him with Cartesian method from the proposition that "I am a positive factor for Olivetti", via the observation that "everything has a price" to the conclusion that if he had not paid that price by exploiting the financial boom of the 1980s, he would not today have his international group of companies and a diversified source of income. Now, he says, he is re-orienting himself. "I want to concentrate in the 1990s on industrial activities and I want to withdraw from financial activities as much as I can."

Then, having decided to take the inquisitorial bait, he added with surprising directness, "But you are right; if I had not done it I probably would not have a group, but the performance of Olivetti would have been better."

He insists that, for all of its current difficulties, the company's first half results (a drop of 41 per cent in pre-tax profits) demonstrated that Olivetti remains in a stronger position that many of its competitors in the information technology business.

On a consolidated basis 80 per cent of the sales of De Benedetti companies are made outside Italy, and he expects further growth to come from acquisitions made abroad. He anticipated the next question about whether political hostility and cool relations with the Italian business establishment would not, in fact, make further domestic expansion difficult. "There are many who believe that I have less opportunities in this country. I do not believe it is true." The point was that "we do not want to enter new businesses" and he did not see many opportunities in Italy for adding to his existing activities.

He is also adamantly ruling out most of eastern Europe as a field of opportunity. He thinks many west Europeans are confusing the political success of burying communism with the consequences of that success – the need to convert risk averse, centrally planned economies to market oriented systems. Hungary and Czechoslovakia may be worth considering for investment and east Germany will be "a limited problem" because of German reunification. All of the rest spell trouble and "the Soviet Union is an economic disaster requiring efforts to transform it which have not been fully measured."

So have Fiat and other Italian companies which are making joint ventures in the east got it wrong? Though he is rarely evasive in interviews, Mr De Benedetti is not above diplomatic circumlocution. "I don't know how much private companies are prepared to take investment risks which are not guaranteed by national governments. I don't know anybody who is investing his own money in the Soviet Union."

The Olivetti chief would like to complete his exit from

'I am tightening my belt'

Société Générale de Belgique, having sold 1 per cent of his original 15.4 per cent stake to Deutsche Bank and, after this interview, a further 4.4 per cent last week to Compagnie Financiére de Suez. He said the Deutsche Bank deal, for BFr3,300 a share, was just profitable, including the costs of carrying the investment. But his hopes of further disposals in the short term have evaporated because the SGB stock price has been torpedoed by the Gulf crisis.

It was a visible effort – and the question had to be put twice – for him to admit that the failure of his bid for control of SGB was "I would say my biggest failure or my biggest disappointment." He draws comfort, however, from having been right. "When no one was looking at that company we understood its great potential and the opportunity to make a fantastic turnaround. This comforted me in my judgement. We are actively participating in the turnaround and I think we are doing a good job. I am moderately satisfied but owning 15 per cent of SGB with another shareholder owning 51 per cent was not my objective."

From a losing battle to one which, if not yet finally crowned with victory at Mondadori, is now going very satisfactorily. Did he feel himself to be a political target when Mr Berlusconi temporarily assembled enough support to snatch control of Italy's largest publisher? After all, the private TV king clearly had the approval of two great political moguls, prime minister Mr Giulio Andreotti and Mr Bettino Craxi, the Socialist Party leader.

With its chain of provincial newspapers, its control of the two top selling news magazines and of La Repubblica, one of the top selling dailies, "Mondadori itself is a political target and therefore everyone involved with Mondadori becomes a political target. The influence on and attention paid to publishing by the political environment in this country is dramatic."

Equally dramatic was his view that newspaper ownership was necessary not only to put him on level terms with fellow Italian grandees in the newspaper business, Mr Gianni Agnelli and Mr Raul Gardini, but also to guarantee his present position. "There is a kind of distortion in the Italian system by which industrialists control newspapers. I don't see how you can survive by being an exception in an environment modelled like the Italian one."

He may well survive Mr Berlusconi but there is no escaping the Grim Reaper. So he is now constructing a controlled experiment to see whether a De Benedetti could succeed him at the head of his business. His eldest son Rodolfo was made managing director of Cir, the De Benedetti quoted industrial holding company, in July because "I wanted to give him the opportunity of showing me and the board whether he can be a successor. "As a father I wish it, as a shareholder I will judge frankly, and I think and hope that I will be able to judge quite objectively."

PERSONAL FILE

1934 Born in Turin; educated, Turin Polytechnic.
1972 Chairman and chief executive of his holding company, Gilardini.
1976 Vice-chairman and chief executive of Compagnia Industriali Reunite; joint managing director of Fiat for a short period.
1978 Chief executive and vice-chairman, Olivetti.
1983 *Chairman, Olivetti.*
1986 Takes chair of French holding company, Cerus (*Paris*).
1988 Cerus launches failed bid for control of Société Générale de Belgique.

The Boston Red Sox to the rescue

By Anthony Harris in Washington

On Friday night, a most unusual sound was heard from the room where the US budget negotiators have been sequestered for weeks: a cheer. This was not to greet an agreement, but the ninth-innings victory of the Boston Red Sox over the Toronto Blue Jays, to give the Red Sox the leadership of their baseball division. Both Richard Gephardt, who leads the majority Democratic team in the talks, and Robert Michel, the Republican leader, are Red Sox fans. Yesterday, agreement was indeed reached on a five-year deficit reducing package.

If this happy coincidence suggests that the issues which have deadlocked the talks for so long are rather trivial, it is only partly misleading. President George Bush's insistence on a capital gains tax cut (what capital gains, except in the house market?) was simply an example of his weakness for gesture politics. Now Mr Bush has blinked, and the road is open.

However, the $50bn planned cut in fiscal 1991 will also be trivial, against an underlying deficit which reached a record in 1990, and is likely to pass $250bn in 1991 even on optimistic assumptions. This is deliberate: everyone knows that any cut now will be ill-timed. There is, of course, a more numerically impressive plan to cut the deficit by $500bn over the next five years, but this begs questions both of credibility and adequacy.

Resolution is likely to falter if the economy proves anything like as weak as it now looks; and according to the General Accounting Office, it would take a trillion-dollar plan to get the budget on course for balance. If a balanced budget were really vital to US economic recovery, as so many Americans believe, then there is no recovery is sight.

Wait a minute, though. According to the White House scenario, the budget plan is intended to wring lower interest rates from a reluctant Fed; but meanwhile, interest rates have started falling on their own. The yield on the long bond is back below 9 per cent, and Federal Funds are easing too. This has happened while the budget talks were deadlocked, inflation was rising, the dollar was falling, and the markets were full of war scares. It is what the White House wanted, but it is clearly not good news.

What is in fact happening is a flight into quality – a tactful term for subdued panic. This does not concern the budget, or even the Gulf: it is the fear of widespread bankruptcy, which is clear from the market attack on bank stocks, and flattened the champagne at the bank and embassy parties here last week.

It is centred on the property market, where major developers are being forced to sell into a bombed-out market, and where the strongest developer in Virginia was rescued last week by a local savings and loan – a grimly suggestive irony.

The fear is spreading, too. Retailers are failing along the depressed Eastern seaboard, the airlines are heavily in debt, and caught between falling traffic and doubled fuel costs; and last week Moody's sounded the alarm about consumer debt, traditionally the soundest asset on a bank balance sheet.

This fear could prove exaggerated: consumer debts are now 15.5 pc of assets, compared with 12.6 pc in 1982 and 13.5 pc in 1979, the previous cyclical peaks, according to Moody's. This does not look like the stuff of voluntary personal bankruptcy on a large scale, though there will certainly be despair at the fringes.

What it does suggest is distress borrowing; and what the markets are coming to realise is that if distress borrowing could be netted out, the figures would show that the economy is already suffering a credit contraction. Hence the flight into "quality"; the quantity of government debt may be excessive in some long-term sense, but it is the best debt available in the markets, and its price is being bid up. This attracts domestic rather than foreign investors, though; so the private sector financial crisis means continued downward pressure on the dollar. Foreign investors are still buying bargain-price real assets, but they are selling financial claims.

And this is, in a sense, good news: it is already beginning to re-energise some parts of US manufacturing industry. The good news is patchy, to put it mildly; regional surveys show that while orders and activity have been rising for the last two months in the Chicago region, generally regarded as a reliable guide to the fortunes of the rust belt, they have collapsed in neighbouring Milwaukee.

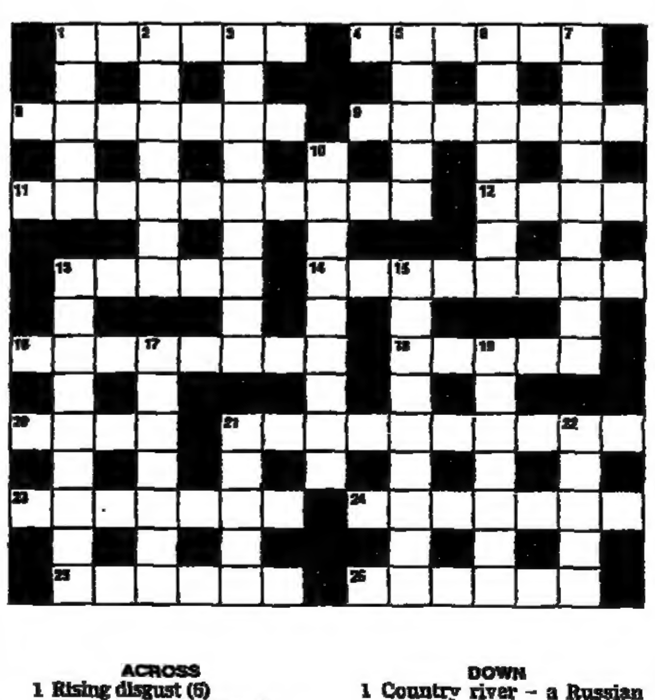
All the same, enhanced competitiveness and weak home demand should have a dramatic effect on the trade balace, and could justify the confidence of the Ford chairman, Mr Harold Poling, that the coming recession will be a shallow one. Floating exchange rates, coupled with deposit insurance, could keep the disaster largely confined to the financial markets.

Finally, the current panic should give the Fed the opportunity to do what it likes best: to follow the markets down. The budget agreement will be the ostensible trigger for a cut, but the state of the markets should ensure that the cut is something more than symbolic. This is not at present likely to revive the economy at large; but it will assist those healthy corporations able to exploit a lower exchange rate. Not for the first time, the US economy seems likely to justify every detail of the prophesies of doom, except for one: it isn't quite doom.

JOTTER PAD

CROSSWORD

No.7,355 Set by DANTE



ACROSS

1 Rising disgust (6)
4 Notes card swindlers (6)
8 Beat, after exciting recount (7)
9 Day of sport – night of comedy (7)
11 His work may disturb the sleepers (10)
12 Given the rent (4)
13 A piece of cake? (5)
14 Current champion tried to break first (4-4)
16 Test said to produce antipathy (8)
18 What the film's about (5)
20 Side of fresh meat (4)
21 The shooting of an unknown person? (6,4)
23 Footballer who may clean up a pile (7)
24 Cinders gets the wicked dame feeling guilty (7)
25 Annual holiday ends too soon (6)
26 A game one may come across (6)

DOWN

1 Country river – a Russian river (5)
2 Arched and jumped (7)
3 Pub gossip? (5,4)
5 Where the lumberjack is disturbed (5)
6 He renders an account (7)
7 Racialist, perhaps, might describe Swift's writings (9)
10 A party wet perhaps, he stood for law and order (5,4)
13 Pass the time pleasantly when on holiday (5,4)
15 Princess, poet or chemist (9)
17 Paddy has a wash (7)
19 Apparent, but not in a sister's concern (7)
21 Politician may be cold, yet good tempered (5)
22 It ends happily and with relief (5)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday October 13.

Britishness is not enough

John Lloyd on Scottish nationalism

Scotland appears seriously to want autonomy. Most members of the Scots political caste would say that the "appears to" is redundant, but it had better stay in for now. Nearly three centuries of peaceful habituation to the kindly domination of the English will be a hard habit to kick.

The present position has been reached almost wholly for political reasons. The Scots are relatively better off than they were; their cities are among the most pleasant in the UK; and their culture is less under threat than it has been, though the Gaelic language and the Lallans dialect are in terminal retreat. In spite of all of this, it is simply the case that the organised political expression of status quo unionism has collapsed, and shows no present sign of reviving.

Few who are not Scots or do not live in Scotland appreciate the popularity of anti-unionist sentiment. The Scottish Conservative Party is terribly split between neo-liberals and managerialists (the fabled "lairds" are hard to find, appear on both sides of the argument and are anyway Japanese). It can barely manage 20 per cent in the polls and has been the only solidly unionist vehicle on the scene.

All other parties are either radical devolutionists or nationalists. At the end of last week, the Scottish Constitutional Convention, the proto-parliament supported by all parties and groups save the Nationalists and the Tories (which means 58 of the 72 MPs and nearly all the local authorities) declared that it wanted a Scots parliament with tax raising powers, controlling all but defence, foreign affairs and "central economic and fiscal responsibilities".

Labour is pledged to this. The Scots nationalists under their new leader, Mr Alex Salmond, may come to support it as a staging post; and even a few Conservatives are beginning to see in the prospect a certain tactical advantage.

Why should the Scots suffer separatist longings in the maturity of union? One answer, given by the writers Tom Nairn and Neal Ascherson, is that the Union was cemented in blood – non-British blood. Imperialism, success and glory abroad were, as Ascherson puts it, "British, not English. Britishness exists in the armed forces, in war, in conquests."

This contains truth, but is insufficient. Other ideologies were spun about the union, most successfully labourism/socialism. It has been a commonplace of the Scots labour movement (the English one did not have to think about it) that a "united working class" was necessary to the achievement of a socialist Britain. Socialism is now no longer on offer from any serious quarter and thus the Labour Party, and the unions, are freed to pursue other reasons for their existence.

They do so in a new international setting, or at least one they perceive as new. The Scottish Nationalists, after all, have adopted the theme of "independence within Europe" as a way of domesticating their political project.

Labour in Scotland has devoted increasing interest to the matter of establishing a direct relationship between Edinburgh and Brussels, on the model of the German *Länder*: a conference in Hamilton last weekend heard Labour front-benchers cautiously edge towards Euro-federalism, on the grounds that the stronger the European union, the weaker the national capitals, and thus in turn the stronger the regional and old national centres of Europe.

This is the Euro-squeeze: regions and Brussels in alliance against Bonn, Paris, Rome and – especially – London. The Scots parties can and do make much of the Prime Minister's penchant for centralisation.

What possible tactical advantage can the Tories see in this? Simple: a Scots government, with a prime minister, a budget and a separate tax structure, would recognise institutionally the nationhood of Scotland in the "United Kingdom" – and would make compelling the case for a reduced representation in Westminster, where the Scots are presently over-represented.

Both the Sunday Times and The Economist have recently argued this case; and Mr Peter Clarke, one of the clever but loose cannons in the Scots Tory Party, has recently taken up the theme. Were there to be some 12 or 20 fewer, mainly Labour, MPs jetting in to London every week on British Airways' Monday morning red-eyes, the Conservatives might hold Britain in perpetuity, or at least until Mrs Thatcher retires (whichever is the longer).

Once this thinking infects the Conservative and Unionist Party, all is probably lost. The Scots could and did easily enough bear two "national identities" – but the second, British one was and is for most Scots the unfamiliar one. It demanded a public, rather than private, response: it meant speaking "proper English" rather than the vernacular; it meant some sort of submission of Scots to English identity – and things were not improved by the complete indifference of the English to the problem. Many Scots, including me, in part share the English view – finding much Scottishness mawkish, much modern reading of Scots history selective and much in Britishness (which is mainly Englishness) to admire and feel at home in.

But that comfortable schizophrenia is now under challenge. It is, indeed, at least socially dangerous to give it tongue in Scottish gatherings. North Britishness, the preferred self-description of the Scots intellectuals in their period of 18th century Enlightenment, may no longer be sustainable in its present form.

هكذا عن الأصل